

# Annual Financial Statements 2017/2018

*Endumeni Municipality*

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# Annual Financial Statements

for

## ***Endumeni Municipality***

for the year ended 30 June:

**2018**

Province:

KwaZulu Natal

AFS rounding:

**R (i.e. only cents)**

### **Contact Information:**

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N Chenia

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**Endumeni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**General information (continued)**

<b>Registered Office:</b>	Endumeni Municipality
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**Endumeni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment and the high rate of electricity losses due to theft.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Accounting Officer: Mr SR Ntuli

31 August 2018

**Endumeni Municipality**  
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**Abbreviations**

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant

**Endumeni Municipality**  
**Statement of Financial Position**  
as at 30 June 2018

	Note	2018 R	2017 RESTATED R
<b>ASSETS</b>			
<b>Current assets</b>			
		<b>64 440 791</b>	<b>74 153 237</b>
Inventories	2	6 682 075	4 750 004
Bank balances and cash	3	10 126 507	3 772 947
Current portion of non-current receivables	4	0	5 710
Trade and other receivables from exchange transactions	5	4 923 279	4 270 559
Trade and other receivables from non-exchange transactions	6	13 024 577	11 753 371
Current investments	7	29 684 354	49 600 646
<b>Non-current assets</b>			
		<b>348 803 745</b>	<b>311 015 980</b>
Property, plant and equipment	8	302 174 539	265 075 802
Intangible assets	9	101 206	22 177
Investment property	10	46 528 000	45 918 000
<b>Total assets</b>		<b>413 244 536</b>	<b>385 169 217</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		<b>49 954 558</b>	<b>44 586 171</b>
Trade and other payables from exchange transactions	11	35 941 582	26 822 736
Consumer deposits	12	4 820 657	4 524 999
VAT payable	13	2 456 426	1 989 346
Current provisions	14	2 630 737	2 552 823
Current portion of unspent conditional grants and receipts	15	4 105 156	5 820 457
Current portion of long-term borrowings	16	0	2 875 809
<b>Non-current liabilities</b>			
		<b>61 903 209</b>	<b>59 721 483</b>
Non-current provisions	14	12 929 422	10 553 683
Defined benefit plan obligations	44	48 973 787	49 167 800
<b>NET ASSETS</b>		<b>301 386 769</b>	<b>280 861 563</b>
Housing Development Fund	17	4 447 628	4 359 245
Accumulated surplus / (deficit)		296 939 141	276 502 318
<b>Total net assets</b>		<b>301 386 769</b>	<b>280 861 563</b>

**Endumeni Municipality**  
**Statement of Financial Performance**  
for the year ending 30 June 2018

	Note	2018	2017
		R	RESTATED R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>		<b>151 288 999</b>	<b>140 005 359</b>
Service charges	20	129 429 934	127 544 126
Rental of facilities and equipment	21	1 661 994	1 601 113
Interest earned - external investments	22	3 282 788	4 472 619
Interest earned - outstanding receivables	23	0	214
Licences and permits		4 006 709	4 313 219
Operational revenue from exchange transactions	25	12 907 574	2 074 067
<b>Revenue from non-exchange transactions</b>		<b>175 471 439</b>	<b>138 438 869</b>
Property rates	19	90 452 957	62 346 376
Property rates - penalties and collection charges		8 096 749	5 831 679
Fines		1 987 559	2 369 194
Transfers and subsidies	24	74 934 174	67 891 620
<b>Total revenue</b>		<b>326 760 438</b>	<b>278 444 228</b>
<b>EXPENSES</b>			
Employee related costs	26	101 827 546	91 977 330
Remuneration of councillors	27	4 262 379	3 845 874
Debt Impairment	5	12 906 692	6 994 794
Unwinding discount on landfill site provision	14	2 032 382	(1 350 920)
Municipal services cost		4 198 312	3 668 135
Depreciation	28	11 360 687	9 586 213
Amortisation	28	7 071	9 299
Finance costs	29	182 809	509 766
Bulk purchases	30	81 276 911	81 492 020
Contracted services	31	21 515 734	19 362 326
Operational costs	32	64 413 969	51 489 885
Retirement and long services benefits	44	2 748 727	655 348
<b>Total expenses</b>		<b>306 733 220</b>	<b>268 240 070</b>
(Impairment loss) / Reversal of impairment loss	33	(253 736)	(1 226 315)
Gain / (loss) on fair value adjustment	34	610 000	12 491 000
Inventories: (Impairment loss)/ Reversal of impairment loss	33	(98 206)	(93 407)
<b>Surplus / (deficit) for the period</b>		<b>20 285 275</b>	<b>21 375 436</b>

# Endumeni Municipality

## Statement of Changes in Net Assets as at 30 June 2018

	Housing Development Fund	Insurance Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R	R	R
<b>Opening balance as previously reported 2016</b>	4 336 637	854 804	246 194 000	251 385 441
Reclassification of Insurance reserve to surplus		( 854 804)	854 804	-
Prior period error Investment Property (Refer to Note 38)			7 949 000	7 949 000
Prior period error(Refer to Note 38)			86 196	86 196
<b>Restated Balance as at 30 June 2016</b>	<b>4 336 637</b>	<b>-</b>	<b>255 083 999</b>	<b>259 420 636</b>
Restated Surplus for the year	-	-	21 375 436	21 375 436
Transactions for the year	22 608	42 884	-	65 492
Reclassification of Insurance reserve to surplus		( 42 884)	42 884	
Effect of rounding in the financial statements			( 1)	-1
<b>Restated Balance as at 30 June 2017</b>	<b>4 359 245</b>	<b>-</b>	<b>276 502 318</b>	<b>280 861 563</b>
Surplus / (deficit) for the period		-	20 285 275	20 285 275
Transactions for the year insurance reserve	88 383	-	151 547	239 931
Effect of rounding in the financial statements			( 0)	-0
<b>Balance at 30 June 2018</b>	<b>4 447 628</b>	<b>-</b>	<b>296 939 141</b>	<b>301 386 769</b>

Refer to note 18 for ring fenced reserves within accumulated surplus



**Endumeni Municipality**  
**Cash Flow Statements**  
as at 30 June 2018

	Note	2018	2017
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>298 737 834</b>	<b>265 313 603</b>
Sales of goods and services		222 519 008	196 425 421
Transfers and subsidies		76 218 826	68 888 183
<b>Payments</b>		<b>275 460 626</b>	<b>256 218 433</b>
Employee costs		101 559 252	88 519 069
Suppliers		173 901 374	167 699 364
<b>Cash generated from operations</b>	35	<b>23 277 208</b>	<b>9 698 817</b>
Interest received		3 282 788	4 472 834
Interest paid		( 182 809)	( 392 834)
<b>Net cash flows from operating activities</b>		<b>26 377 187</b>	<b>13 778 816</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	8	( 37 200 744)	( 26 502 826)
Purchase of intangibles	9	( 86 100)	-
Decrease/(Increase) in Loans and receivables		( 72 925)	( 25 099)
<b>Net cash flows from investing activities</b>		<b>( 37 359 770)</b>	<b>( 26 527 925)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		( 2 875 809)	( 2 561 088)
Decrease/(Increase) in Consumer deposits		295 659	338 978
<b>Net cash flows from financing activities</b>		<b>( 2 580 150)</b>	<b>( 2 222 110)</b>
Net increase / (decrease) in cash and cash equivalents		( 13 562 733)	( 14 971 219)
Net cash and cash equivalents at beginning of period		53 373 593	68 344 812
<b>Net cash and cash equivalents at end of period</b>	36	<b>39 810 860</b>	<b>53 373 593</b>



**Endumeni Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
as at 30 June 2018

**1 ACCOUNTING POLICIES**

**1.1 BASIS OF ACCOUNTING**

**BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The municipality however faces challenges of debtor non-payment for municipal services and a high rate of electricity losses due to theft. This may have future implications on the operations of the municipality

**COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following Standards of GRAP and interpretations of Standards of GRAP approved have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 32 - Service Concession Arrangements: Grantor

GRAP 108 - Statutory Receivables

IGRAP 17 - Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

GRAP 20 - Related Party Disclosures

Management have considered all of the above-mentioned GRAP standards approved or issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## 1.2 PROPERTY, PLANT AND EQUIPMENT

### INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### INITIAL MEASUREMENT

Items of property, plant and equipment are initially measured at cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### SUBSEQUENT EXPENDITURE

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

### SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciable amount is determined after taking into account an assets' residual value, where applicable. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	3 - 100 years	Machinery and equipment	3 - 20 years
Electricity	3 - 80 years	Furniture and Equipment	3 - 50 years
Water	5 - 100 years	Motor Vehicles	4 - 20 years
Sewerage	10 - 60 years	Buildings	5 - 30 years
Other	10 - 30 years		

At each reporting date the municipality will assess whether there has been an indication that the expectation of the remaining useful lives of assets have changed. Such reviews are completed on Infrastructure, movable, intangible and leased assets. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## **DERECOGNITION**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.3 HERITAGE ASSETS**

#### **INITIAL RECOGNITION**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

#### **INITIAL MEASUREMENT**

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### **SUBSEQUENT MEASUREMENT**

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

#### **DERECOGNITION**

The carrying amount of a heritage asset is derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.4 INTANGIBLE ASSETS**

#### **INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
  - it is technically feasible to complete the intangible asset;
  - the municipality has the resources to complete the project; and
  - it is probable that the municipality will receive future economic benefits or service potential;
- the municipality has the ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

## **SUBSEQUENT MEASUREMENT**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## **AMORTISATION**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2 - 5 years
-------------------	-------------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## **IMPAIRMENT**

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.5 INVESTMENT PROPERTY**

### **INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **SUBSEQUENT MEASUREMENT**

Investment property is subsequently measured at fair value model. The fair value of investment property is based on the valuation roll values of the local municipality in whose jurisdiction the investment property is situated. Fair value is adjusted when a new valuation roll is implemented by the local municipality for property tax purposes. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

### **DERECOGNITION**

Investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property.

All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

## **1.6 INVENTORIES**

### **INITIAL RECOGNITION AND MEASUREMENT**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of determining cost is the weighted-average method.

### **DERECOGNITION**

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **1.7 FINANCIAL INSTRUMENTS**

### **INITIAL RECOGNITION**

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

### **INITIAL MEASUREMENT**

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

#### **INVESTMENTS AT AMORTISED COSTS**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **INVESTMENT AT FAIR VALUE**

Investments, which represent investments in residual interest for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.



## **INVESTMENT AT COST**

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

## **TRADE AND OTHER RECEIVABLES**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

## **TRADE PAYABLES AND BORROWINGS**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

## **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **IMPAIRMENT OF FINANCIAL ASSETS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### **IMPAIRMENT OF FINANCIAL ASSETS HELD AT COST**

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



## **DERECOGNITION**

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

### **1.71 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.72 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.73 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.74 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### **1.75 BUDGET INFORMATION**

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

## **1.76 LEASES**

### **MUNICIPALITY AS LESSEE**

#### **RECOGNITION**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### **MEASUREMENT**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### **DERECOGNITION**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

### **MUNICIPALITY AS LESSOR**

#### **RECOGNITION**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

## MEASUREMENT

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

## DERECOGNITION

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## 1.77 REVENUE

### REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

### RECOGNITION

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

## MEASUREMENT

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the period in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of consumables and sundry items is recognised when the risk is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

## **EXPENDITURE FROM EXCHANGE**

Expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

## **REVENUE FROM NON-EXCHANGE TRANSACTIONS**

### **RECOGNITION**

Revenue from non-exchange transaction arises when the entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

### **MEASUREMENT**

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from spot fines and summons are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **EXPENDITURE RELATING TO NON-EXCHANGE TRANSACTIONS**

Expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

### **1.78 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms on the Housing Act (Act 107 of 1997)

Sections 15 (5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the Entity to maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund and is fully cash-backed.

In terms of section 14(4)(d)(ii)(aa), read with inter alia section 16(2), the Housing Act required that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, to be paid into a separate operating account, and be utilised by the Entity for housing development in accordance with the National Housing Policy.

## **1.79 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **1.8 RETIREMENT BENEFITS**

### **SHORT TERM EMPLOYEE BENEFITS**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

## **1.81 POST-EMPLOYMENT BENEFITS**

The Municipality operates various pension schemes. These schemes are funded through trustee administered funds. The Municipality has both defined benefit and defined contribution plans.

### **DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **DEFINED BENEFIT PLANS**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds are defined benefit funds. The Natal Joint Provident Fund is a defined contribution funds

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

### **POST RE-TIREMENT HEALTH CARE BENEFITS**

The liability recognised in the Statement of Financial Position is in respect of defined benefit plan for post employment health care benefits. The fund is actuarially valued each year using the discounted cash flow method. Any deficits identified by the actuary are recovered from the municipality in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable. Valuations of these obligations are carried out every year by independent qualified actuaries.

## **1.82 IMPAIRMENT OF NON-FINANCIAL ASSETS**

### **RECOGNITION**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount).

### **MEASUREMENT**

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets the value in use is determined as a function of the discounted future cash flows from the asset. In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Where the asset is a non-cash generating asset the value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

### **REVERSAL OF IMPAIRMENT**

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## **IMPAIRMENT OF SPECIFIC NON-FINANCIAL ASSETS**

### **PROPERTY, PLANT AND EQUIPMENT**

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

### **INTANGIBLE ASSETS**

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

#### **INVESTMENT PROPERTY HELD AT COST**

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

#### **RELATED PARTIES**

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the municipality. Refer to Note 46 - Related Parties

#### **CAPITAL COMMITMENTS**

A capital commitment is a binding agreement to undertake capital expenditure at some time in the future which has not yet become an actual liability

**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

	Note	2018	2017
		R	R
<b>2 INVENTORIES</b>			
Material and supplies - electricity		5 072 715	3 389 100
Consumable - general		1 330 869	1 163 977
Consumable - fuel and oils		258 604	177 850
Mechanical spares		19 887	19 077
<b>Closing balance of inventories</b>		<b>6 682 075</b>	<b>4 750 004</b>
Write down of inventory		-	85 490
Inventory has been impaired for redundant and obsolete items			
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority. The stock write down for the current year is still subject to council approval			
<b>3 BANK BALANCES AND CASH</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		14 800	14 800
Cash at bank		10 111 707	3 758 147
		<b>10 126 507</b>	<b>3 772 947</b>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank Account - Dundee Branch			
Account Number 62025480651: Cheque Account			
Cash book balance at beginning of year		3 758 147	1 288 626
Cash book balance at end of year		10 111 707	3 758 147
Bank statement balance at beginning of year		3 758 147	1 288 626
Bank statement balance at end of year		10 111 707	3 758 147
<b>4 NON-CURRENT RECEIVABLES</b>			
Housing - Selling scheme loans		571 048	571 048
Housing - Sibongile		1 282 569	1 209 643
Housing - Individual selling scheme loans		140 507	140 507
		1 994 124	1 921 199
Less : Provision for housing receivables		( 1 994 124)	( 1 915 488)
		-	5 710
Less : Current portion transferred to current receivables		-	( 5 710)
Total Non Current Receivables		-	-
<b>HOUSING SELLING SCHEME LOANS</b>			
Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%. Title deeds for many of these properties have been handed over to the beneficiaries in the 2015/16 financial year.			
<b>5 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<u>Trade and Other Receivables from Exchange</u>		R	R
Electricity		4 502 038	3 814 968
Refuse		17 710 040	15 431 280
Debtors for Value Added Taxation		3 190 401	2 771 135
Estate		52 844	62 252
Interest		9 810 221	8 665 437
Refund		168 706	266 517
Deposit Housing		6 745	5 104
Deposit Electricity		31 281	57 408
Receipt		( 989 072)	( 706 568)
Housing Levy		544 373	434 454
Legal Fees		93 303	145 097
Sundry Adjustments		279 188	-
Total Service Debtors		35 400 069	30 947 082
Provision for Doubtful Debts		( 30 476 790)	( 26 676 523)
<b>Total</b>		<b>4 923 279</b>	<b>4 270 559</b>



**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

	Note	2018.	2017
		R	R
<b><u>Electricity: Ageing</u></b>			
Current (0 – 30 days)		3 489 290	3 192 716
31 - 60 Days		54 055	20 831
61 - 90 Days		12 043	15 485
91 - 120 Days		18 136	7 247
Greater than 120 days		928 514	578 689
<b>Total</b>		<b>4 502 038</b>	<b>3 814 968</b>
<b><u>Refuse: Ageing</u></b>			
Current (0 – 30 days)		1 648 649	1 536 463
31 - 60 Days		355 318	323 468
61 - 90 Days		328 408	293 393
91 - 120 Days		317 564	286 442
Greater than 120 days		15 060 100	12 991 513
<b>Total</b>		<b>17 710 040</b>	<b>15 431 280</b>
<b><u>Debtors for Value Added Taxation: Ageing</u></b>			
Current (0 – 30 days)		766 967	666 102
31 - 60 Days		61 832	50 434
61 - 90 Days		48 677	44 364
91 - 120 Days		48 176	42 188
Greater than 120 days		2 264 748	1 968 047
<b>Total</b>		<b>3 190 401</b>	<b>2 771 135</b>
<b><u>Estate: Ageing</u></b>			
Current (0 – 30 days)		2 784	1 871
31 - 60 Days		697	687
61 - 90 Days		697	687
91 - 120 Days		802	752
Greater than 120 days		47 863	58 254
<b>Total</b>		<b>52 844</b>	<b>62 252</b>
<b><u>Interest: Ageing</u></b>			
Current (0 – 30 days)		302 692	261 337
31 - 60 Days		145 967	124 484
61 - 90 Days		143 128	121 921
91 - 120 Days		140 656	120 493
Greater than 120 days		9 077 779	8 037 201
<b>Total</b>		<b>9 810 221</b>	<b>8 665 437</b>
<b><u>Refund: Ageing</u></b>			
Current (0 – 30 days)		4 672	91 635
31 - 60 Days		5 963	10 224
61 - 90 Days		( 175)	2 519
91 - 120 Days		1 913	13 775
Greater than 120 days		156 333	148 365
<b>Total</b>		<b>168 706</b>	<b>266 517</b>
<b><u>Deposit Housing: Ageing</u></b>			
Current (0 – 30 days)		753	704
31 - 60 Days		250	200
61 - 90 Days		200	200
91 - 120 Days		200	200
Greater than 120 days		5 342	3 800
<b>Total</b>		<b>6 745</b>	<b>5 104</b>

**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

Note	2018	2017
	R	R
<b><u>Deposit Electricity: Ageing</u></b>		
Current (0 – 30 days)	10 019	31 849
31 - 60 Days	308	15 729
61 - 90 Days	363	300
91 - 120 Days	288	-
Greater than 120 days	20 303	9 530
<b>Total</b>	<b>31 281</b>	<b>57 408</b>
<b><u>Add back credits included above: Ageing</u></b>		
Current (0 – 30 days)	( 637 288)	( 385 779)
31 - 60 Days	( 96 322)	( 37 636)
61 - 90 Days	( 53 598)	( 28 764)
91 - 120 Days	( 43 678)	( 24 205)
Greater than 120 days	( 158 186)	( 230 185)
<b>Total</b>	<b>( 989 072)</b>	<b>( 706 568)</b>
<b><u>Housing Levy: Ageing</u></b>		
Current (0 – 30 days)	49 319	43 189
31 - 60 Days	19 779	13 123
61 - 90 Days	13 150	13 009
91 - 120 Days	13 150	13 009
Greater than 120 days	448 975	352 124
<b>Total</b>	<b>544 373</b>	<b>434 454</b>
<b><u>Legal Fees: Ageing</u></b>		
Current (0 – 30 days)	( 143)	35 760
31 - 60 Days		8 360
61 - 90 Days		11 712
91 - 120 Days		-
Greater than 120 days	93 446	89 265
<b>Total</b>	<b>93 303</b>	<b>145 097</b>
<b><u>Sundry Adjustments: Ageing</u></b>		
Current (0 – 30 days)	19 162	-
31 - 60 Days	4 168	-
61 - 90 Days	3 514	-
91 - 120 Days	2 471	-
Greater than 120 days	249 874	-
<b>Total</b>	<b>279 188</b>	<b>-</b>

Included in the trade and Other Receivables from exchange balances are the amounts owed by other spheres of Government:

**Summary of Debtors by Customer Classification**

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
<b>as at 30 June 2018</b>			
Current (0 – 30 days)	5 866 195	4 612 574	1 049 299
31 - 60 Days	1 396 476	206 489	135 140
61 - 90 Days	1 301 797	208 422	95 646
91 - 120 Days	1 251 662	223 048	92 506
121+ Days	64 090 344	4 636 668	4 359 358
Sub-total	73 906 475	9 887 202	5 731 949
<b>Total debtors</b>			<b>89 525 626</b>
Add back consumers with credit balances			<b>1 312 348</b>
<b>Total debtors by customer classification</b>			<b>90 837 974</b>

**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

	Note	2018 R	2017 R
<b>as at 30 June 2017</b>			
Current (0 – 30 days)	5 135 369	4 158 544	432 275
31 - 60 Days	1 181 364	154 939	35 097
61 - 90 Days	1 096 039	143 460	-207 423
91 - 120 Days	1 078 065	113 434	16 005
121 + Days	57 327 143	3 855 412	2 403 088
Sub-total	<b>65 817 980</b>	<b>8 425 789</b>	<b>2 679 042</b>
<b>Total debtors</b>			<b>76 922 811</b>
Add back consumers with credit balances			<b>1 153 696</b>
<b>Total debtors by customer classification</b>			<b>78 076 508</b>

**5 Reconciliation of the doubtful debt provision**

Reconciliation of the Bad Debt Provision

Balance at beginning of the year	78 973 303	71 978 509
Revenue from exchange	26 676 523	23 377 335
Non-current receivables	1 915 488	1 890 314
Revenue from non-exchange	50 381 293	46 710 860
Contribution to provision	12 906 692	6 994 794
Revenue from exchange	3 800 268	3 299 188
Non-current receivables	78 636	25 174
Revenue from non-exchange	9 027 789	3 670 432
Revenue from exchange	30 476 790	26 676 523
Non-current receivables	1 994 124	1 915 488
Revenue from non-exchange	59 409 081	50 381 293
Balance at end of year	<b>91 879 995</b>	<b>78 973 303</b>
Bad debts written off against the provision	-	-

**TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE  
6 TRANSACTIONS**

Trade Receivables - Property Rates	34 806 143	28 498 265
Penalties	18 396 432	16 754 611
Collection Fees	2 235 329	1 876 550
Other Debtors	16 995 754	15 005 237
	72 433 659	62 134 663
Less provision for bad debts	( 59 409 081)	( 50 381 293)
<b>Total</b>	<b>13 024 577</b>	<b>11 753 371</b>

**Rates: Ageing**

Current (0 – 30 days)	5 235 711	4 152 446
31 - 60 Days	874 838	636 655
61 - 90 Days	805 936	590 825
91 - 120 Days	771 910	542 847
Greater than 120 days	27 117 749	22 575 492
<b>Total</b>	<b>34 806 143</b>	<b>28 498 265</b>

**Penalties: Ageing**

Current (0 – 30 days)	510 389	423 767
31 - 60 Days	250 843	207 552
61 - 90 Days	245 911	205 474
91 - 120 Days	241 002	202 445
Greater than 120 days	17 148 286	15 715 373
<b>Total</b>	<b>18 396 432</b>	<b>16 754 611</b>

**Collection Fees: Ageing**

Current (0 – 30 days)	125 092	86 037
31 - 60 Days	60 408	41 217
61 - 90 Days	57 611	40 242
91 - 120 Days	54 626	37 721
Greater than 120 days	1 937 592	1 671 334
<b>Total</b>	<b>2 235 329</b>	<b>1 876 550</b>

**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

Note	2018	2017
	R	R
<b><u>Property rates past due but not impaired</u></b>		
Property rates which are less than 3 months past due are not considered to be impaired. At 30 June 2018 R4 487 661.74 (2017 R3 413 311) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	609 366	135 351
2 months past due	179 963	97 935
3 months past due	111 214	353 639
<b><u>Property rates impaired</u></b>		
As of 30 June 2018, property rates of R 50 187 225 (2017 R 24 309 102) were impaired and provided for.		
The ageing of these receivables is as follows:		
3 to 4 months	1 980 293	940 110
Over 4 months	45 184 998	22 010 942
The fair value of property rates approximates their carrying amounts.		
<b>7 INVESTMENTS</b>		
<b>7 CURRENT</b>		
Investments - General Account	22 901 671	22 503 207
Investments - Museum Trust Fund	13 465	10 000
Investments - Government Grants and Subsidies	6 769 218	27 087 439
	<b>29 684 354</b>	<b>49 600 646</b>
<b><u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u></b>		
<b>Investment General Account</b>		
<i>Absa Bank Account - Dundee Branch</i>		
<i>Account Number 9072089566 : Call Account</i>		
Bank statement balance at the beginning of the year	5 999 360	5 999 360
Bank statement balance at the end of the year	<b>5 999 360</b>	<b>5 999 360</b>
<b>Investment General Account</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62113431390 : Money Market Account</i>		
Bank statement balance at the beginning of the year	810 000	39 410 000
Bank statement balance at the end of the year	<b>317 000</b>	<b>810 000</b>
<b>Investment General Account</b>		
<i>Grindrod Bank - Durban Branch</i>		
<i>Account Number 11000207002 Call Account</i>		
Bank statement balance at the beginning of the year	5 239 294	-
Bank statement balance at the end of the year	<b>5 587 361</b>	<b>5 239 294</b>
<b>Investment General Account</b>		
<i>Ithala Bank - Nguthu Branch</i>		
<i>Account Number 36744276</i>		
Bank statement balance at the beginning of the year	5 205 204	-
Bank statement balance at the end of the year	<b>5 361 637</b>	<b>5 205 204</b>
<b>Investment General Account</b>		
<i>Investec Branch - Sandton Branch</i>		
<i>Account Number 540709 fixed deposit</i>		
Bank statement balance at the beginning of the year	5 249 348	-
Bank statement balance at the end of the year	<b>5 636 313</b>	<b>5 249 348</b>
<b>TOTAL INVESTMENTS (CURRENT ACCOUNT) :</b>	<b>22 901 671</b>	<b>22 503 207</b>
<b>Investment Museum Trust Fund</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62127781236 : Money Market Account</i>		
Bank statement balance at the beginning of the year	10 000	10 104
Bank statement balance at the end of the year	<b>13 465</b>	<b>10 000</b>
<b>TOTAL INVESTMENT (MUSEUM TRUST FUND) :</b>	<b>13 465</b>	<b>10 000</b>

**Endumeni Municipality**  
**Notes to The Annual Financial Statements**  
for the year ended 30 June 2018

Note	2018	2017
	R	R
<b>Investment Projects</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62047254941 : Call Account</i>		
Bank statement balance at the beginning of the year	4 093 544	3 652 400
Bank statement balance at the end of the year	<u>3 160 626</u>	<u>4 093 544</u>
<b>Investment Interest Earned</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509652419 : Call Account</i>		
Bank statement balance at the beginning of the year	10 407 002	2 137 075
Bank statement balance at the end of the year	<u>29 370</u>	<u>10 407 002</u>
<b>Investment VAT</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62509650851 : Call Account</i>		
Bank statement balance at the beginning of the year	8 769 908	3 358 425
Bank statement balance at the end of the year	<u>64 400</u>	<u>8 769 908</u>
<b>Investment Sibongile Hostel</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62045928069 : Call Account</i>		
Bank statement balance at the beginning of the year	537 302	506 673
Bank statement balance at the end of the year	<u>480 713</u>	<u>537 302</u>
<b>Investment Sithembile Hostel</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62063967718 : Call Account</i>		
Bank statement balance at the beginning of the year	370 178	349 076
Bank statement balance at the end of the year	<u>391 610</u>	<u>370 178</u>
<b>Investment Training of Councillors</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62310958098 : Call Account</i>		
Bank statement balance at the beginning of the year	27 602	27 602
Bank statement balance at the end of the year	<u>23 102</u>	<u>27 602</u>
<b>Investment Transfer / Buyback Centre</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62130398903 : Call Account</i>		
Bank statement balance at the beginning of the year	7 731	7 288
Bank statement balance at the end of the year	<u>8 176</u>	<u>7 731</u>
<b>Investment Sibongile Library Internet</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62173631948 : Call Account</i>		
Bank statement balance at the beginning of the year	647 754	381 822
Bank statement balance at the end of the year	<u>843 869</u>	<u>647 754</u>
<b>Investment Housing Operating Account</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62412969084 : Call Account</i>		
Bank statement balance at the beginning of the year	453 180	427 278
Bank statement balance at the end of the year	<u>479 262</u>	<u>453 180</u>
<b>Investment Rural Horse Riding</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62599265876 : Money Market Account</i>		
Bank statement balance at the beginning of the year	241 392	3 217 355
Bank statement balance at the end of the year	<u>18 048</u>	<u>241 392</u>
<b>Investment Small Town Rehabilitation</b>		
<i>First National Bank Account - Dundee Branch</i>		
<i>Account Number 62521487894 : Money Market Account</i>		
Bank statement balance at the beginning of the year	1 531 847	2 790 355
Bank statement balance at the end of the year	<u>1 270 042</u>	<u>1 531 847</u>
<b>TOTAL INVESTMENTS (GOVERNMENT GRANTS AND SUBSIDIES) :</b>	<u>6 769 218</u>	<u>27 087 439</u>
<b>TOTAL CURRENT INVESTMENTS</b>	<u>29 684 354</u>	<u>49 600 646</u>

ENDUMENI LOCAL MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in rands

8 Property, plant and equipment	2018			2017		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	61 044 317.31	0.00	61 044 317.31	61 044 317.31	-	61 044 317.31
Community Asset (Buildings)	71 637 429.29	-20 245 503.45	51 391 925.84	52 010 610.69	-18 248 798.65	33 761 811.84
Electricity	46 640 599.50	-18 629 578.11	28 011 020.39	40 809 970.29	-17 646 531.49	23 163 438.80
Road	155 591 640.65	-55 503 215.04	100 088 425.61	155 521 710.73	-50 516 235.46	105 005 475.27
Solid waste	6 482 755.70	-4 020 725.17	2 462 030.53	6 482 755.70	-3 624 248.63	2 858 507.07
Cemeteries	3 972 078.28	-780 014.57	3 192 063.71	3 972 078.28	-525 920.80	3 446 157.48
AUC Buildings	12 376 620.96	0.00	12 376 620.96	15 136 991.95	-	15 136 991.95
AUC Electricity	0.00	0.00	0.00	337 176.97	-	337 176.97
AUC Roads	23 396 124.77	0.00	23 396 124.77	2 907 370.63	-	2 907 370.63
AUC Land Fill Site	226 726.00	0.00	226 726.00	226 726.00	-	226 726.00
AUC Cemeteries	0.00	0.00	0.00	-	-	-
Furniture and equipment	4 051 356.03	-2 695 764.90	1 355 591.13	3 460 188.13	-2 415 860.59	1 044 327.54
Computer equipment	6 128 989.24	-4 385 706.45	1 741 282.79	5 646 971.47	-3 889 171.77	1 757 799.70
Machinery and equipment	15 865 795.45	-7 421 597.84	8 444 197.61	13 095 208.22	-6 197 161.00	6 898 047.22
Transport Assets	15 168 830.21	-7 735 919.25	7 432 910.96	13 216 026.81	-6 740 045.53	6 475 981.28
Lease Assets	9 978.09	-9 214.60	763.49	9 978.09	-8 842.31	1 135.78
Housing letting schemes	1 247 482.33	-236 944.71	1 010 537.62	1 247 482.33	-236 944.71	1 010 537.62
	423 638 723.81	-121 664 185.08	302 174 538.72	375 125 563.60	-110 049 761.14	265 075 802.46

Reconciliation of property, plant and equipment - 2018

	Restated Opening Balance	Additions	Donations	Newly Identified assets at fair value	Transfers	Disposals	Depreciation	Impairment (loss)	Total
Land	61 044 317.31		0.00	0.00	0.00	0.00	0.00	0.00	61 044 317.31
Community Asset (Buildings)	33 761 811.84	52 000.00	10 535 963.71	0.00	0.00	9 038 864.89	-1 996 704.60	0.00	51 391 925.84
Electricity	23 163 438.80	270 928.44	69 930.00	0.00	0.00	5 559 702.77	-983 047.62	0.00	28 011 020.39
Road	105 005 475.27			0.00	0.00	0.00	-4 970 163.83	-16 815.75	100 088 425.69
Solid waste	2 858 507.07	0.00	0.00	0.00	0.00	0.00	-396 476.54	0.00	2 462 030.53
Cemeteries	3 446 157.48	0.00	0.00	0.00	0.00	0.00	-254 093.77	0.00	3 192 063.71
AUC Buildings	15 138 991.95	6 936 305.77		0.00	0.00	-9 696 676.76	0.00	0.00	12 376 620.96
AUC Electricity	337 176.97	5 222 525.78		0.00	0.00	-5 559 702.75	0.00	0.00	0.00
AUC Roads	2 907 370.63	20 488 754.14		0.00	0.00	0.00	0.00	0.00	23 396 124.77
AUC Land Fill Site	226 726.00		0.00	0.00	0.00	0.00	0.00	0.00	226 726.00
AUC Cemeteries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Furniture and equipment	1 044 327.54	319 041.37	255 416.00	0.00	0.00	16 710.53	-276 629.64	-1 274.67	1 355 591.13
Computer equipment	1 757 799.70	480 017.77	0.00	0.00	0.00	0.00	-495 364.44	-1 170.24	1 741 282.79
Machinery and equipment	6 898 047.22	1 408 439.61	721 036.28	0.00	0.00	641 111.34	-989 861.03	-234 475.81	8 444 197.61
Transport Assets - restated	6 475 981.28	1 952 803.40	0.00	0.00	0.00	0.00	-995 873.72	0.00	7 432 910.96
Lease Assets	1 135.78	0.00	0.00	0.00	0.00	0.00	-372.29	0.00	763.49
Housing letting schemes	1 010 537.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 010 537.62
	285 075 802.46	37 200 744.28	11 512 415.99	0.00	0.00	0.02	-11 360 887.48	-253 736.47	302 174 538.80

Reconciliation of property, plant and equipment - 2017

	Opening Balance	Additions - Movable assets	Newly Identified assets at fair value	Additions - WIP	Transfers	Disposals	Depreciation	Donations	Impairment (loss)	Total
Land	61 044 317.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61 044 317.31
Community Asset (Buildings)	18 643 753.43	195 680.00	0.00	0.00	0.00	17 229 666.00	-1 236 255.66	0.00	-1 071 031.02	33 761 812.75
Electricity	19 678 785.53	0.00	0.00	0.00	0.00	4 366 901.86	-868 032.76	0.00	-14 216.00	23 163 438.63
Road	110 133 660.54	0.00	0.00	0.00	0.00	62 342.00	-5 051 084.40	0.00	-139 443.03	105 005 475.11
Solid waste	2 418 357.57	817 500.00	0.00	0.00	0.00	0.00	-377 360.50	0.00	0.00	2 858 507.07
Cemeteries	1 491 700.74	0.00	0.00	0.00	0.00	2 099 337.99	-144 881.25	0.00	0.00	3 446 157.48
AUC Buildings	20 533 105.91	0.00	0.00	0.00	12 088 350.84	-17 484 464.80	0.00	0.00	0.00	15 138 991.95
AUC Electricity	1 079 220.71	0.00	0.00	0.00	3 624 858.12	-4 368 901.86	0.00	0.00	0.00	337 176.97
AUC Roads	939 722.10	0.00	0.00	0.00	2 029 960.68	-62 342.15	0.00	0.00	0.00	2 907 370.63
AUC Land Fill Site	0.00	0.00	0.00	0.00	226 726.00	0.00	0.00	0.00	0.00	226 726.00
AUC Cemeteries	46 568.00	0.00	0.00	0.00	2 052 369.99	-2 099 337.99	0.00	0.00	0.00	0.00
Furniture and equipment	785 035.76	461 382.02	0.00	0.00	0.00	0.00	-201 551.81	0.00	-538.85	1 044 327.12
Computer equipment	1 332 487.03	802 155.44	0.00	0.00	0.00	0.00	-389 079.95	13 313.00	-1 085.82	1 757 799.70
Machinery and equipment	4 779 552.56	1 700 247.87	0.00	0.00	254 788.74	0.00	-664 601.66	828 060.01	0.00	6 898 047.22
Transport Assets	4 539 048.50	2 503 565.67	57 487.09	0.00	0.00	0.00	-624 126.88	0.00	0.00	6 475 981.28
Lease Assets	1 682.12	0.00	0.00	0.00	0.00	0.00	-546.34	0.00	0.00	1 135.78
Housing letting schemes	1 010 537.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 010 537.62
	248 457 945.43	6 480 531.00	57 487.09	20 022 285.63	-0.21	-9 557 514.61	841 363.01	-1 226 314.72	265 075 802.62	

Details of property, plant and equipment are included in a register which is available for inspection at the municipal offices.  
Refer to Note 38 for prior period errors

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

	2018 R	2017 RESTATED R
<b>11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	11 963 075	12 847 631
Payments received in advance	1 763 367	1 835 429
Retentions	3 220 716	2 521 342
Staff leave accrual	6 661 961	6 393 667
Deposits - other	95 690	82 490
Other creditors	12 236 773	3 142 177
<b>Total</b>	<b>35 941 582</b>	<b>26 822 736</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>12 CONSUMER DEPOSITS</b>		
Consumer deposits: electricity	4 820 657	4 524 999
Guarantees held in lieu of electricity deposits	153 310	153 310
<b>13 VAT PAYABLE</b>		
VAT payable	2 456 426	1 989 346
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>14 PROVISIONS</b>		
<b>14 CURRENT PROVISIONS</b>		
Current portion of long-service provision	607 046	529 132
Current portion of retirement benefit obligations	2 023 691	2 023 691
<b>Total</b>	<b>2 630 737</b>	<b>2 552 823</b>
<b>14 NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites	8 501 202	6 468 820
Provision for long-service awards	4 428 220	4 084 863
<b>Total Non-Current Provisions</b>	<b>12 929 422</b>	<b>10 553 683</b>
<b>Provision for rehabilitation of landfill sites</b>		
Opening Balance	6 468 820	7 819 740
Unwinding discount	2 032 382	-1 350 920
<b>Balance at the end of year</b>	<b>8 501 202</b>	<b>6 468 820</b>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10%, over an average period of 2.8 years.		
The provision created for the rehabilitation of the landfill site is based on Anderson Vogt Consulting Engineers assessment of the rehabilitation costs of the Glencoe dumpsite. A study will be done to determine the cost estimate in the near future		
The provision is calculated in line with the consulting engineers assessment as determined by discounting the present value of the estimate. The estimate excludes VAT. Council intends to commence spending against the provision in 2.8 years.		
<b>Provision for long-service awards</b>		
Opening Balance	4 613 995	4 809 077
Contribution to provision	891 602	312 953
Expenditure incurred	( 470 331)	( 508 035)
	5 035 266	4 613 995
Transfer to current provisions	( 607 046)	( 529 132)
<b>Balance at the end of year</b>	<b>4 428 220</b>	<b>4 084 863</b>
The long-service award is payable after every 10 years and thereafter after 5 year intervals of continuous service.		



**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2018 R	2017 RESTATE R
<b>15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Conditional Grants from other spheres of Government		
LGSETA Grant	637 393	673 157
Transfer / Buyback Centre	8 176	7 731
Expanded Public Works Program	-	13 756
Sibongile Dundee Cyber Cadet Grant	843 869	647 754
Museum Grant	1 965	1 965
Rural Horse Riding Grant	18 048	241 392
Upgrade Sibongile Hostel	480 713	537 302
KZN Housing	206 365	206 365
Upgrade Sithembile Hostel	391 610	370 178
Training of councillors	23 102	27 602
Pound Grant	132 259	132 259
Integrated National Electrification Programme grant	97 552	-
Sibongile housing project	-	1 429 151
Small Town Rehabilitation	1 264 104	1 531 847
<b>Total Unspent Conditional Grants and Receipts</b>	<b>4 105 156</b>	<b>5 820 457</b>

See Note 24 for reconciliation of grants from other spheres of government. These amounts are invested in ring-fenced investment until utilised.

**16 BORROWINGS**

Annuity Loans	-	-
<b>Non - current borrowings</b>	-	-
<b>Current portion transferred to current liabilities</b>	-	<b>2 875 809</b>
Annuity Loans	-	2 875 809
<b>Total borrowings</b>	-	<b>2 875 809</b>

Refer to Appendix A for more detail on borrowings.

**Annuity loans**

Bear interest at rates between at 17% per annum, are being redeemed in bi-annual installments, including interest. Loans were fully redeemed in March 2018.

**Security**

The annuity loans are not secured against any assets of the municipality

**17 HOUSING DEVELOPMENT FUND RESERVE**

Housing Operating Account	4 447 628	4 359 245
	<b>4 447 628</b>	<b>4 359 245</b>

The housing development fund is represented by the following assets & liabilities:

Fixed assets	1 010 539	1 010 539
Debtors	2 957 827	2 895 526
Cash at bank	479 262	453 180
<b>Total Housing Operating Account Assets and Liabilities</b>	<b>4 447 628</b>	<b>4 359 245</b>

**18 OTHER RESERVES**

Insurance Reserve	1 049 235	897 688
	<b>1 049 235</b>	<b>897 688</b>

The insurance reserve has been ring fenced within accumulated surplus

Opening balance	897 688	854 804
Transfers	151 547	42 884
<b>Closing balance</b>	<b>1 049 235</b>	<b>897 688</b>

**Endumeni Municipality**  
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	2018	2017
	R	RESTATED R
<b>19 PROPERTY RATES</b>		
<u>Actual</u>		
Agriculture properties	1 763 235	-
Agriculture properties used for agricultural purposes	-	777 151
Agricultural properties used for other business and commercial purposes	-	241 228
Agricultural - Land Reform	-	15 783
Agricultural - Land Reform 2nd year	-	3 094
Agricultural - Land Reform 3rd year	-	6 525
Smallholding used for agricultural/residential purposes	-	357 688
Smallholding - Land Reform 2nd year	-	-
Business and Commercial properties(with residential usage)	-	2 619 825
Business and Commercial properties	19 999 731	11 208 757
Cemetery	-	-
Industrial properties	7 441 448	4 658 063
Industrial properties (with residential usage)	-	107 971
Land Reform	-	-
Mining properties	467 765	312 090
Municipal properties	-	-
Public Benefits Organisation	-	221 082
Public service infrastructure	58 244	38 711
Public service purposes	12 425 046	-
Residentially Based Business	-	487 387
Residential Properties	42 746 927	28 032 928
Schools	-	4 418 380
State owned properties	-	5 313 216
Sport,recreation & social	-	33 467
Leases	2 205	1 670
Worship	-	-
Vacant Property	5 548 356	3 491 359
<b>Total</b>	<b>90 452 957</b>	<b>62 346 376</b>
<u>Valuations</u>		
Agriculture properties	1 225 542 000	-
Agriculture properties used for agricultural purposes		548 276 000
Agricultural properties used for other business and commercial purposes		17 743 000
Land Reform Agricultural Properties (25% Rebate)		5 870 000
Land Reform Agricultural Properties (50% Rebate)		4 176 000
Land Reform Agricultural Properties (75% Rebate)		43 928 000
Smallholding used for agricultural/residential purposes		56 543 000
Business and Commercial properties(with residential usage)		75 103 000
Business and Commercial properties	579 058 000	321 544 000
Cemetery (Private)	498 000	442 000
Industrial properties	213 054 000	123 612 000
Informal settlements		350 000
Industrial properties (with residential usage)		3 015 000
Land reform properties		62 450 000
Mining properties	11 703 000	7 725 000
Municipal properties	292 011 000	165 117 000
Public Benefits Organisation	114 167 000	45 143 000
Public service infrastructure	49 759 000	38 314 000
Public service purposes	276 095 000	-
Public Benefits Organisation property		61 346 000
Privately owned town serviced by the owner		4 211 000
Residential Based Business Properties		36 057 000
Residential Properties	3 491 588 500	2 332 296 001
Schools (Private and State)		103 206 000
State owned properties		119 538 000
Sports Social and Recreation Clubs		5 074 000
Public worship		51 225 000
Worship Residential	84 531 000	12 458 000
Vacant Property	60 758 000	38 357 000
<b>Total Property Valuations</b>	<b>6 398 764 500</b>	<b>4 283 119 001</b>

The last general valuation came into effect on:

01/07/2017      01/07/2012

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2017.

Interim valuations are processed on a quarterly basis to take into account changes in individual land values due to consolidations and subdivisions.

**Endumeni Municipality**  
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	2018	2017 RESTATED
	R	R
Assessment rates: Cents in the rand on market valuation as follows:		
Agriculture properties	0.3762c/R	-
Agriculture properties used for agriculture purposes	-	0.38c/R
Agricultural properties used for other business and commercial	-	4.04c/R
Agriculture properties used for agriculture purposes- Land Reform	-	0.39c/R
Smallholding used for agricultural or residential purposes- Land Reform	-	1.34c/R
Smallholding used for agricultural or residential purposes	-	1.34c/R
Smallholding used for business, commercial and industrial properties	-	4.04c/R
Business and commercial properties(with residential usage)	-	4.04c/R
Business and commercial properties	3.9996c/R	4.04c/R
Industrial properties	4.0095c/R	4.05c/R
Industrial properties (with residential usage)	-	4.05c/R
Mining properties	3.9996c/R	4.04c/R
Municipal properties	-	-
Public benefit organisation	-	-
Public benefit organisation properties	-	0.38c/R
Public service properties	4.5441c/R	-
Public service infrastructure	0.3762c/R	0.38c/R
Public Worship	-	-
Residential properties	1.5147c/R	1.53c/R
Residential based business	-	1.69c/R
Sport , Recreation and sports clubs	-	0.70c/R
Schools (Private and state)	-	4.59c/R
State owned properties	-	4.59c/R
State trust land	-	-
Vacant properties	9.1872c/R	9.28c/R

The first R15 000 of the valuation of residential properties are exempt from the calculation of rates.

**Rebates:**

Agricultural property	60%	62%
Smallholdings	30%	52%
Business and commercial properties	12%	12%
Industrial properties	12%	12%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	0%	0%
Residential properties	22%	22%
Public service infrastructure	30%	56%
Pensioners (Earning R4500 per month)	25%	25%
Pensioners (Earning R4501 - R5000 per month)	20%	20%
Pensioners (Earning R5001 - R5500 per month)	15%	15%
Pensioners (Earning R5501 - R6500 per month)	10%	-

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004 for the 2016 financial year):

On a monthly basis, and the final dates of payment being the last working day of the month from August 2017 to June 2018.

Interest is levied on outstanding rates per annum at:	12%	12%
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**20 SERVICE CHARGES**

Sale of electricity	107 664 538	107 922 606
Refuse removal	21 765 396	19 621 520
<b>Total Service Charges</b>	<b>129 429 934</b>	<b>127 544 126</b>

**21 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities and equipment	1 661 994	1 601 113
<b>Total Rentals</b>	<b>1 661 994</b>	<b>1 601 113</b>

**22 INTEREST EARNED - EXTERNAL INVESTMENTS**

Bank	3 282 788	4 472 619
<b>Total Interest</b>	<b>3 282 788</b>	<b>4 472 619</b>

**23 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Interest on land sales	-	214
<b>Total interest</b>	<b>-</b>	<b>214</b>

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**24 TRANSFERS AND SUBSIDIES**

	2018 R	2017 RESTATED R
Equitable share	37 228 000	36 413 000
Municipal infrastructure grant	21 702 000	13 501 433
Financial management grant	1 700 000	1 625 000
Library subsidy	3 303 000	3 146 000
LGSETA grant	206 343	296 190
Sibongile Dundee Cyber Cadet grant	412 453	296 787
Sport Project	-	318
Sport Grant	-	3 612
Museum subsidy	420 000	400 000
KZN Housing - Sibongile Hostel	87 751	-
Integrated National Electrification Programme grant 2017	5 902 494	4 665 844
Expanded Public Works Programme	1 231 756	1 113 244
Sibongile Housing Project	1 429 151	-
Training of councillors grant	4 500	-
Small Town Rehabilitation Grant	1 080 807	3 389 393
Rural Horse Riding Grant	225 919	3 040 799
<b>Total Government Grant and Subsidies</b>	<b>74 934 174</b>	<b>67 891 620</b>

***Equitable Share***

Balance unspent at beginning of year	-	-
Current year receipts	37 228 000	36 413 000
Transferred to revenue	( 37 228 000)	( 36 413 000)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

***Municipal Infrastructure Grant***

Balance unspent at beginning of year	-	284 433
Current year receipts	21 702 000	13 217 000
Conditions met - transferred to revenue	( 21 702 000)	( 13 501 433)
	-	-

Conditions still to be met-transferred to liabilities (see note 15)

This grant is used to improve/establishment of infrastructure. No funds were withheld

***Financial Management Grant***

Balance unspent at beginning of year	-	-
Current year receipts	1 700 000	1 625 000
Conditions met - transferred to revenue	( 1 700 000)	( 1 625 000)
	-	-

Conditions still to be met-transferred to liabilities (see note 15)

This grant is directed towards improving compliance, implementation and management of the MFMA and Supporting reforms. No funds were withheld.

***Library subsidy***

Balance unspent at beginning of year	-	-
Current year receipts	3 303 000	3 146 000
Conditions met - transferred to revenue	( 3 303 000)	( 3 146 000)
	-	-

Conditions still to be met-transferred to liabilities (see note 15)

This subsidy is in respect of the municipal library services.

***LGSETA grant***

Balance unspent at beginning of year	673 157	819 777
Current year receipts	170 579	149 570
Conditions met - transferred to revenue	( 206 343)	( 296 190)
	637 393	673 157

Conditions still to be met-transferred to liabilities (see note 15)

This grant is in respect of skills training for municipal staff. No Funds were withheld

**Endumeni Municipality**  
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	2018 R	2017 RESTATED R
<b>Museum Grant</b>		
Balance unspent at beginning of year	1 965	1 965
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>1 965</u>	<u>1 965</u>
The grant was for the upgrade of infrastructure at the museum. No funds were withheld.		
<b>Cyber Cadet grant</b>		
Balance unspent at beginning of year	647 754	381 822
Current year receipts	608 569	562 718
Conditions met - transferred to revenue	( 412 453)	( 296 787)
Conditions still to be met-transferred to liabilities (see note 15)	<u>843 869</u>	<u>647 754</u>
This grant is for the Cyber Cadets. No funds were withheld.		
<b>Department of Sports grant</b>		
Balance unspent at beginning of year	-	318
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	( 318)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This grant is intended for the building of a sports facility. No funds were withheld.		
<b>Museum subsidy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	420 000	400 000
Expenditure claimed in accordance with grant conditions	( 420 000)	( 400 000)
Conditions still to be met-transferred to liabilities (see note 15)	<u>-</u>	<u>-</u>
This subsidy is to fund museum services. No funds were withheld.		
<b>KZN Housing - Sibongile hostel</b>		
Balance unspent at beginning of year	537 302	506 673
Current year receipts	31 162	30 629
Expenditure claimed in accordance with grant conditions	( 87 751)	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>480 713</u>	<u>537 302</u>
This grant is for the upgrade of the Sibongile hostel. No funds were withheld.		
<b>KZN Housing - Ext 18 housing project</b>		
Balance unspent at beginning of year	206 365	206 365
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>206 365</u>	<u>206 365</u>
This grant is for the upgrade of the Extension 18 housing project. No funds were withheld.		
<b>KZN Housing - Upgrade of Sithembile Hostel</b>		
Balance unspent at beginning of year	370 178	349 076
Current year receipts	21 432	21 102
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	<u>391 610</u>	<u>370 178</u>
This grant is for the upgrade of Sithembile hostel. No funds were withheld.		

**Endumeni Municipality**  
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**Dept of Human Settements - Sibongile Housing Development**

	2018 R	2017 RESTATED R
Balance unspent at beginning of year	1 429 151	1 429 151
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	( 1 429 151)	-
Conditions still to be met-transferred to liabilities (see note 15)	-	1 429 151

This grant is for the Sibongile Bufferstrip housing.  
No funds were withheld.

**Department of Cooperative Governance and Traditional Affairs - Training of Councillor Grant**

Balance unspent at beginning of year	27 602	27 602
Adjustments and transfers	-	-
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	( 4 500)	-
Conditions still to be met-transferred to liabilities (see note 15)	23 102	27 602

This grant is for the training of Councillors.  
No funds were withheld.

**Department of Cooperative Governance and Traditional Affairs - Pound Grant**

Balance unspent at beginning of year	132 259	132 259
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	132 259	132 259

This grant is for the establishment of a municipal pound.  
No funds were withheld.

**Department of National Energy - Integrated National Electrification Programme**

Balance unspent at beginning of year	-	7 497 015
Current year receipts	9 000 000	10 000 000
Expenditure claimed in accordance with grant conditions	( 8 902 448)	( 10 000 015)
Funds transferred back to Revenue Fund	-	-7 497 000
Conditions still to be met-transferred to liabilities (see note 15)	97 552	-

This grant is for the Integrated National Electrification Programme increasing access to electricity specially in rural areas.  
No Funds were withheld.

**Department of Environmental Affairs - Transfer station**

Balance unspent at beginning of year	7 731	7 288
Current year receipts	445	443
Expenditure claimed in accordance with grant conditions	-	-
Conditions still to be met-transferred to liabilities (see note 15)	8 176	7 731

The grant is for improvement of public participation. No funds were withheld.

**Dept of Public Works - Expanded Public Works Programme**

Balance unspent at beginning of year	13 756	-
Current year receipts	1 218 000	1 127 000
Conditions met - transferred to revenue	( 1 231 756)	( 1 113 244)
Conditions still to be met-transferred to liabilities (see note 15)	-	13 756

This grant is for Local Economic Development.  
No funds were withheld.

**Department of Sports Grant**

Balance unspent at beginning of year	-	3 612
Current year receipts	-	-
Conditions met - transferred to revenue	-	( 3 612)
Conditions still to be met-transferred to liabilities (see note 15)	-	-

**Endumeni Municipality**  
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This grant is intended for the maintenance of a sports facility. No funds were withheld.

**Small town rehabilitation grant**

	2018 R	2017 RESTATED R
Balance unspent at beginning of year	1 531 847	2 790 355
Current year receipts	813 064	2 130 885
Conditions met - transferred to revenue	( 1 080 807)	( 3 389 393)
Conditions still to be met-transferred to liabilities (see note 15)	<u>1 264 104</u>	<u>1 531 847</u>

This grant is intended for the commercialisation of mixed agricultural projects and rehabilitation of parks. No funds were withheld.

**Rural Horse Riding Grant**

Balance unspent at beginning of year	241 392	3 217 355
Current year receipts	2 575	64 836
Conditions met - transferred to revenue	( 225 919)	( 3 040 799)
Conditions still to be met-transferred to liabilities (see note 15)	<u>18 048</u>	<u>241 392</u>

This grant was for the upgrade of infrastructure at the racetrack. No funds were withheld.

**25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**25 Other Income**

Burial fees	105 833	90 555
Discount received	-	63 486
Land Sales	17 957	-
Other Income	1 271 369	828 663
Donations/ Awards	11 512 416	1 091 363
<b>Total Other Income</b>	<u>12 907 574</u>	<u>2 074 067</u>

**26 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	60 694 621	55 908 215
Acting allowance	1 069 527	1 077 618
Performance and other bonuses	4 619 243	4 041 560
Casual labour	4 905 891	590 716
Contribution to leave reserve	268 294	3 458 262
Group Life	296 433	305 739
Leave	2 713 617	1 771 269
Medical Aid	4 862 321	4 444 488
Housing allowances	1 097 494	1 077 153
Protective clothing and uniforms	376 105	301 363
Overtime payments	2 199 611	2 020 731
Pension	11 316 481	10 658 881
SALGA Shop fee	35 664	35 534
SARPA Membership	7 901	7 429
SAMRO	6 822	4 872
Standby Allowance	367 689	385 951
Sundry Allowance	1 196 226	419 976
Transport allowance	5 240 686	4 941 020
UIF	552 920	526 552
<b>Total</b>	<u>101 827 546</u>	<u>91 977 330</u>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	401 500	1 258 700
Leave conversion	409 153	-
Acting Allowance	52 746	366 137
Car Allowance	107 333	175 490
Performance- and other bonuses	-	-
Cellphone allowance	10 000	30 000
Contributions to UIF, Medical and Pension Funds	30 949	181 750
<b>Total</b>	<u>1 011 680</u>	<u>2 012 077</u>

**Endumeni Municipality**  
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The Municipal Manager position became vacant in September 2017 and was filled in April 2018. The above remuneration includes an acting allowance for the managers acting in the position of Municipal Manager during the period the position was vacant.

**Remuneration of the Chief Finance Officer**

	2018 R	2017 RESTATED R
Annual Remuneration	877 682	874 391
Leave conversion	199 145	37 932
Acting Allowance	-	186 619
Performance- and other bonuses	151 446	-
Housing allowance	23 264	94 103
Cell phone allowance	3 881	11 400
Car allowance	61 280	170 898
Contributions to UIF, Medical and Pension Funds	22 154	45 992
<b>Total</b>	<b>1 338 851</b>	<b>1 421 335</b>

The Chief Financial Officer was placed on suspension in January 2017 until settlement was reached. The position then became vacant in October 2017. Mfuyi investment holdings was appointed to provide consultancy services as Acting Chief Financial Officer for 6 months of the financial year. Thereafter an incumbent assumed duties of the Chief Financial Officer for one month before the position became vacant again.

**Remuneration of the Executive Manager Technical Services**

Annual Remuneration	963 059	884 968
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Cell phone allowance	11 400	11 400
Car allowance	81 158	87 664
Contributions to UIF, Medical and Pension Funds	1 884	2 716
<b>Total</b>	<b>1 057 501</b>	<b>986 747</b>

The Executive Manager Technical Services position became vacant in June 2013. The position was filled in July 2016.

**Remuneration of the Executive Manager Corporate Services**

Annual Remuneration	118 397	-
Leave conversion	-	-
Acting Allowance	7 699	10 080
Performance- and other bonuses	-	-
Housing allowance	39 355	-
Cell phone allowance	2 153	-
Car allowance	39 213	-
Contributions to UIF, Medical and Pension Funds	314	-
<b>Total</b>	<b>207 131</b>	<b>10 080</b>

The position of the Executive Manager Corporate Services became vacant in May 2016 due to the passing away of the executive manager. The position was filled in April 2018. The above remuneration includes an acting allowance for the managers acting in this position in the current and prior financial years.

**Remuneration of the Executive Manager Planning and Development**

Annual Remuneration	826 020	715 000
Leave conversion	-	-
Acting Allowance	-	-
Performance- and other bonuses	-	-
Cell phone allowance	11 400	10 450
Car allowance	69 514	60 081
Contributions to UIF, Medical and Pension Funds	150 567	130 420
<b>Total</b>	<b>1 057 501</b>	<b>915 952</b>

The position of the Executive Manager Planning and Development is a new position and was filled in August 2016

**27 REMUNERATION OF COUNCILLORS**

Mayor	484 816	438 921
Deputy Mayor	-	38 485
Speaker	396 012	354 213
Executive Committee Member	747 636	325 362
Councillors	2 122 167	2 065 535
Councillors' travel allowances	511 747	623 358
<b>Total Councillors' Remuneration</b>	<b>4 262 379</b>	<b>3 845 874</b>



**Endumeni Municipality**  
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	2018 R	2017 RESTATED R
<b>In-kind Benefits</b>		
The Executive Mayor and Speaker are part-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has bodyguards and driver and 24 hour security and Backup Vehicle. The Speaker has a driver and bodyguards. Certain councillors also had 24 hour security and Body Guards.		
<b>28 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment - restated (Refer to Note 38)	11 360 687	9 586 213
Intangible assets	7 071	9 299
<b>Total Depreciation and Amortisation</b>	<b>11 367 759</b>	<b>9 595 513</b>
<b>29 FINANCE COSTS</b>		
Borrowings	182 809	509 766
<b>Total Finance Costs</b>	<b>182 809</b>	<b>509 766</b>
<b>30 BULK PURCHASES</b>		
Electricity	81 276 911	81 492 020
<b>Total Bulk Purchases</b>	<b>81 276 911</b>	<b>81 492 020</b>
<b>31 CONTRACTED SERVICES</b>		
Contracted services	6 384 291	5 306 764
Contracted services - Repairs and Maintenance	9 721 987	9 292 510
Legal Expenses	2 404 087	1 811 866
Audit Committee	104 719	205 480
Audit Fees & Internal Audit Fees	2 900 650	2 745 707
	<b>21 515 734</b>	<b>19 362 326</b>
<b>32 OPERATIONAL COSTS</b>		
Included in operational costs are the following:-		
Advertising	579 691	692 158
Amendments To Acts & Ord.	48 078	48 601
Bank Charges	983 362	957 317
H I V Aids	60 993	151 340
Indigent Support	4 780 338	4 016 484
Insurance	345 907	219 940
Lease Payments	506 266	174 121
Materials	534 955	565 108
Membership Fees Kwanaloga	919 203	1 005 638
Meter Reading Fees	89 600	68 790
National Cleanest Town Compet	79 311	79 957
New Connections	285 588	318 323
Postages	345 146	338 116
Printing & Stationery	874 693	915 579
Prodiba - Payments	390 339	387 225
Marketing/ Civic presentation	548 221	402 019
Rural Horse Riding Event	811 029	761 639
Security	11 956 960	8 464 272
Service Of Process	85 800	150 223
Sport, Youth, Arts And Culture	741 629	934 553
Staff Training and Levy	131 921	831 165
Subsistence & Travelling	1 380 941	1 463 731
Telephone	1 573 811	967 860
Traffic Control	168 296	157 061
Transport Cost	5 124 482	4 991 207
Valuation Fees	292 315	574 323
Revenue foregone	15 520 498	7 567 416
Other General Expenses	5 926 877	6 575 765
Technical Support	804 736	810 799
Planning and economic development	2 293 630	165 338
Transfers and subsidies	6 229 355	6 733 817
	<b>64 413 969</b>	<b>51 489 885</b>

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2018 R	2017 RESTATED R
<b>33 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)</b>		
Property, plant and equipment	253 736	1 226 315
Consumable Stores Impairment Loss	98 206	93 407
<b>Total Impairment loss / (Reversal of Impairment Loss)</b>	<b>351 943</b>	<b>1 319 722</b>

During the financial period a physical verification of assets was undertaken. Assets identified during the physical verification that is deemed to be in a poor and very poor physical condition was tested for possible impairment. As a result, 68 assets were tested for impairment, and additional impairment losses amounting to R 253 736 were recognised in respect of 41 of these assets

During the inventory count, inventory was verified for possible impairment. Redundant electrical inventory and consumables to the value of R 98 206 was impaired.

<b>34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	-	12 491 000
Other newly identified assets	610 000	-
<b>Total Profit / (Loss) on Fair Value Adjustment</b>	<b>610 000</b>	<b>12 491 000</b>

**35 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	20 285 275	21 404 134
Adjustment for:-		
Depreciation	11 360 687	9 557 515
Amortisation	7 071	9 299
(Gain) / loss on sale of assets	-	-
Contribution to retirement benefit obligation and Long Service	2 748 727	655 348
Contribution paid retirement benefit obligation and Long Service	( 2 521 469)	( 2 468 311)
Contribution to landfill site provision	2 032 382	( 1 350 920)
Contribution to bad debt provision	12 906 692	6 994 794
Contribution to leave provision	268 294	3 458 262
Straightlining of leases	9 375	52 020
Finance costs paid	182 809	392 834
Finance Costs accrued	-	116 931
Fair value adjustments	( 610 000)	( 12 491 000)
Impairment loss / (reversal of impairment loss)	253 736	1 226 315
Impairment loss / (reversal of impairment loss) on inventory	98 206	93 407
Fines accrual	( 1 368 590)	( 1 649 205)
Donations	( 11 512 416)	( 841 363)
Reserve income	239 931	65 492
Interest earned	( 3 282 788)	( 4 472 834)
<b>Operating surplus before working capital changes:</b>	<b>31 097 924</b>	<b>20 752 718</b>
(Increase)/decrease in inventories	( 2 030 277)	( 1 336 017)
(Increase)/decrease in trade receivables	( 4 452 987)	( 2 629 201)
(Increase)/decrease in other receivables	( 8 930 405)	734 095
Increase/(decrease) in VAT payable	467 080	( 50 657)
Increase/(decrease) in conditional grants and receipts	( 1 715 301)	( 11 834 608)
Increase/(decrease) in trade payables	8 841 176	4 062 487
<b>Cash generated by/(utilised in) operations</b>	<b>23 277 208</b>	<b>9 698 817</b>

**36 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	10 126 507	3 772 947
Call investment deposits	29 684 354	49 600 646
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>39 810 860</b>	<b>53 373 593</b>

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

	2018 R	2017 RESTATED R
<b>37 CHANGE IN ACCOUNTING POLICY</b>		
No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a change in accounting policy.		
<b>38 PRIOR PERIOD ERROR</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from a correction of prior year errors.		
The comparative amount has been restated as follows:		
<b>PROPERTY PLANT AND EQUIPMENT</b>		
<u><b>Newly identified assets erroneously expensed</b></u>		
A donated asset was erroneously omitted from the fixed asset register. An adjustment was made in the prior year to correct this error. The effect of the the correction of this prior period error is reflected below:		
<b>Balance previously reported 30 June 2016</b>		265 018 306
Newly identified asset motor vehicle cost		750 000
Newly identified asset motor vehicle accumulated depreciation 2016		( 663 804)
<b>Restated opening balance 30 June 2016</b>		265 104 501
Newly identified asset motor vehicle depreciation 2017		( 28 699)
<b>Net effect on Statement of Financial Position</b>		265 075 803
<u><b>Depreciation</b></u>		
<b>Balance previously reported 30 June 2017</b>		9 557 515
Newly identified asset motor vehicle depreciation 2017		28 699
<b>Net effect on Statement of Financial Performance</b>		9 586 213
<b>INVESTMENT PROPERTY</b>		
<u><b>Newly identified investment property</b></u>		
During the physical verification of assets it was noted that the Kwa Kunje village did not appear in the municipal asset register. The site was developed and handed over to the municipality in October 2007. The effect of the correction of this prior period error is reflected below:		
<b>Balance previously reported 30 June 2016</b>		37 969 000
Newly identified investment property		7 949 000
<b>Net effect on Statement of Financial Position</b>		45 918 000
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>		
<u><b>Newly identified assets</b></u>		
A donated asset was erroneously omitted from the fixed asset register. An adjustment was made in the prior year to correct this error. The effect of the the correction of this prior period error on accumulated surpluses is reflected below:		
During the physical verification of assets it was noted that the Kwa Kunje village did not appear in the municipal asset register. The site was developed and handed over to the municipality in October 2007. The effect of the correction of this prior period error on accumulated surpluses is reflected below:		
In accordance with GRAP the insurance reserve should form part of accumulated surplus and should not be disclosed on the face of the statement financial position. The statement of changes in net assets has also been amended accordingly and note 18 discloses the insurance reserve that is ring fenced within accumulated surplus.		
<b>Balance previously reported 30 June 2017</b>		267 598 134
Reclassification of insurance reserve to surplus		897 688
Newly identified investment property		7 949 000
Newly identified asset motor vehicle carrying value 2016		86 196
Newly identified asset motor vehicle depreciation 2017		( 28 699)
<b>Net effect on Statement of Financial Position</b>		276 502 318

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2018 R	2017 RESTATED R
<b>39 CHANGE IN ESTIMATE</b>		
<p>The municipality has assessed the residual values and useful lives of assets to determine whether there is an indication that the remaining useful lives of assets have changed. Such reviews has been completed on infrastructure assets, movable assets, intangible assets and leased assets. The indicator "The asset is approaching the end of its previously expected useful life" was identified in respect of 84 assets. Management has determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.</p> <p>The impact of the adjustment is that depreciation charges on Property, plant and equipment for the 2018 financial period has decreased by R204 605.42.</p>		
<b>40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Opening balance	-	-
Unauthorised expenditure current year	-	-
- Debt impairment	4 643 024	-
- Depreciation & asset impairment	6 128 495	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>10 771 519</b>	-
<b>Fruitless and wasteful expenditure</b>		
<b>Reconciliation of fruitless and wasteful expenditure</b>		
Opening balance -	5 614	4 150
Fruitless and wasteful expenditure current year	3 248	1 464
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 35)	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>8 861</b>	<b>5 614</b>
- Late Payment Penalty	-	40
- Interest on Invoice Paid Late	-	1 424
- Accommodation	2 152	-
- Medical injury on duty	1 096	-
	<b>3 248</b>	<b>1 464</b>
<b>41 Irregular expenditure</b>		
<b>Reconciliation of irregular expenditure</b>		
Opening balance	8 773 172	428 451
Irregular expenditure current year	7 022 075	8 344 721
Condoned by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<b>15 795 248</b>	<b>8 773 172</b>
<b>Supply chain management policy deviations (Refer to note 42.8)</b>		
- Subsistence and travel related	422 901	4 027
- Procurement for event	143 903	
- Catering for meetings	14 333	
- Financial systems	1 167 780	
- Investigations	460 766	
- Legal Fees	214 614	
- Maintenance of buildings	69 500	
- Maintenance of waste site	835 506	
- Mayoral vehicle	8 285	
- Prepaid vending system	419 468	
- Security services	3 025 524	
- Service provider for mailing of statements	127 177	
- Training	112 319	
- Strategic Planning Session		15 048
- Hire Video Camera & TV Screen for Council Inauguration		2 950
- Lunch Manco meeting held 21 September 2016		2 000
- Entertainment during exam prayer		3 000
- Hire of 10 round tables for exam prayer		2 000

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

	2018 R	2017 RESTATED R
- Draping of Moth Hall stage & 5 VVIP tables for 6th annual Pastors Convention		7 500
- Publication of Notice no. 144/2016 in the 18th November 2016 of Northern Natal Courier		2 605
- Accommodation for delegates and officials attending KZN SALGA Games at Ugu Municipality		238 320
- Internal Auditors Fee for investigating Unauthorised, Irregular, Fruitless and Wasteful Expenditure for 2014/15 and 2015/16		171 608
- Internal Auditors Fee for investigating Section 32 Irregular Expenditure Items		157 820
- Food parcels		28 000
- Transport for senior citizens practice games		22 500
- Youth Dialogue		2 000
- Provide Programme Director and entertainment service at Mayoral Imbizo		12 500
	<b>7 022 075</b>	<b>671 878</b>
<b>Awards in excess of R200 000 made to bidder who did not score the highest preference points</b>		-
Endumeni Contractors	-	7 341 235
<b>Awards below R200 000 made to supplier who did not score the highest preference points.</b>		
Makhehla Business Enterprise	-	111 000
Zammagic (Pty) Ltd	-	29 750
<b>Awards made to suppliers whos directors are in the service of the state</b>		
Sbani Trading and Projects	-	29 500
<b>Non adherence to MFMA section 112(1)(m)(i)</b>		
Zammagic (Pty) Ltd	-	29 750
Sbani Trading and Projects	-	29 500
Bestkid Trading Enterprise	-	29 008
Mhlanti Trading Projects	-	58 100
Sibuyisithemba Trading	-	15 000
	<b>7 022 075</b>	<b>8 344 721</b>

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE**

**42 MANAGEMENT ACT**

**42.1 Contributions to organised local government**

Opening balance	-	-
Council subscriptions	1 046 661	1 005 638
Amount paid - current	( 8 786)	( 15 260)
Amount paid - previous years	( 1 037 875)	( 990 378)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**42.2 Audit fees**

Opening balance	-	-
Current year audit fee	2 226 626	1 774 707
Amount paid - current year	( 2 226 626)	( 1 774 707)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**42.3 VAT**

Vat received for the year	7 306 492	3 535 172
Vat paid for the year	2 338 201	851 691

All VAT returns have been submitted by the due date throughout the year.

**42.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	13 992 507	11 852 935
Amount paid - current year	( 13 992 507)	( 11 852 935)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2018 R	2017 RESTATE R
<b>42.5 Distribution Losses</b>		
Units lost (kilowatts)	19 299 298	17 673 715
Units lost (sales price per kilowatts - rands)	25 769 332	25 769 332
Units lost due to normal distribution losses (sales price per kilowatts - rands [2018 : R 1.557, 2017 : R 1.524])	10 899 495	10 682 169
Units lost due to theft (sales price per kilowatts - rands [2018 : R 1.462, 2016 : R 1.415])	17 977 598	15 087 163
Units lost due to normal distribution losses (percentage)	8%	8%
Units lost due to theft (percentage)	14%	12%
<b>42.6 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	24 544 960	21 918 068
Amount paid - current year	( 24 544 960)	( 21 918 068)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>42.7 Councillor's arrear consumer accounts</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at: -		<b>Outstanding more than 90 days R</b>
<b>as at 30 June 2018</b>		
Councillor: WN Mbatha Makhathini		114 515
Councillor: Khanyile NE		19 864
Councillor: Mlotshwa TP		19 974
<b>Total Councillor Arrear Consumer Accounts</b>		<b>154 354</b>
<b>as at 30 June 2017</b>		
Councillor: WN Mbatha Makhathini		98 097
Councillor: Khanyile NE		36 087
<b>Total Councillor Arrear Consumer Accounts</b>		<b>134 184</b>
<b>42.8 Deviations of Supply Chain Management Policy</b>		
<b>Investigation Services - L Khumalo</b>	291 115	
The appointment of the service provider for investigation services did not follow the usual procurement process as the investigation was of a sensitive and confidential matter. The matter involved a Senior Official of the Municipality. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Investigation Services - Ulwazi Forensic Investigations</b>	107 900	
The appointment of the service provider for investigation services did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Local artists performing at event - N Zulu</b>	10 000	
The procurement for the performance at an event did not follow the usual procurement process as these are emerging local artists sole providers of traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		
<b>Local artists performing at event - Dlukula Enterprise (Pty) Ltd</b>	15 000	
The procurement for the performance at an event did not follow the usual procurement process as these are emerging local artists sole providers of traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		
<b>Local artists performing at event - Asemahle Drum Majorettes</b>	5 000	
The procurement for the performance at an event did not follow the usual procurement process as these are emerging local artists sole providers of traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		

**Endumeni Municipality**  
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	2018	2017
	R	RESTATED R
<b>Investigation Services - BE Khumalo</b>	251 215	
The appointment of the service provider for investigation services did not follow the usual procurement process as the investigation was of a sensitive and confidential matter. The matter involved a Senior Official of the Municipality. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Investigation Services - SKG Attorneys</b>	100 884	
The appointment of the service provider for investigation services did not follow the usual procurement process as the investigation was of a sensitive and confidential matter. The matter involved a Senior Official of the Municipality. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Presiding Officer - K Khanyile</b>	245 219	
The procurement of services of presiding officer did not follow the usual procurement process as the investigation was of a sensitive and confidential matter. The matter involved Senior Official of the Municipality. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Printing - The LAN</b>	5 940	
The awarding of the quote for printing for the direction signs for the Dundee July did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Procurement of Tyres - Tiger Wheel and Tyre</b>	16 460	
The procurement of the tyres for the Mayoral Vehicle did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Video Footage - Abakhinyeki Co-operative</b>	28 400	
The procurement of the video footage of the Dundee July did not follow the usual procurement process. The deviation was duly authorised by the Accounting officer and will be reported to Council.		
<b>Media Coverage and Briefing - HDL Mega (Pty) Ltd</b>	105 000	
The procurement for media coverage and briefing did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Technical Support - Combined Systems</b>	502 248	
The appointment of the service provider for technical support with the compilation of the Fixed Asset Register did not follow the usual procurement process as the service provider is the sole provider of baud software. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Security Services - Ocean Dawn Security</b>	8 252 916	
The appointment of the service provider for security services did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Refreshments - Charlies Superspar</b>	3 890	
The procurement of refreshments for the search party for missing children who drowned in a storm did not follow the usual procurement process. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Repairs to Audi Q7 - Ladysmith Autohaus</b>	61 182	
The awarding of the quote for the repairs to be done to the Audi Q7 did not follow the usual procurement process as the supplier had to strip and quote to identify the fault. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>License Renewal - Esri S.A</b>	43 929	
The awarding of the quote for the license renewal did not follow the usual procurement process as Esri SA is the sole supplier of this service. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		
<b>Sole Supplier - Protsurv Geo Centre</b>	196 440	
The awarding of the quote did not follow the usual procurement process as Protsurv Geo Centre is the sole supplier. The deviation was duly authorised by the Accounting Officer and will be reported to Council.		

**Endumeni Municipality**  
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	2018 R	2017 RESTATED R
<b>Repairs to Refuse Truck - Vryheid Gearbox Centre cc</b>	40 078	43 890
The awarding of the quote for the repairs to the refuse truck did not follow the usual procurement process as the company had to strip and quote NDE 14034. The deviation was duly authorised by the accounting officer and will be reported to council.		
<b>Local artists performing at event - Iqophelo Sgidi Trading</b>	10 000	7 000
The awarding of the quote for the performance at an event did not follow the usual procurement process as these are emerging local artists providing unique traditional music and that are not registered on the database. The deviation were duly authorised by the accounting officer and will be reported to council.		
<b>Taxis - Madonsela Crust Construction CC</b>	35 600	17 200
The awarding of the quote for the hire of taxis did not follow the usual procurement process as the initial number procured was insufficient and additional had to be procured. The deviation was duly authorised by the accounting officer and will be reported to council		
	<u>10 328 415</u>	

**43 CAPITAL COMMITMENTS**

**43 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>10 647 999</b>	<b>55 316 401</b>
Infrastructure	9 158 493	37 978 410
Other	1 489 506	17 337 991
<b>- Approved but not yet contracted for</b>	<b>-</b>	<b>-</b>
Infrastructure	-	-
Other	-	-
<b>Total</b>	<b>10 647 999</b>	<b>55 316 401</b>

This expenditure will be financed from government grants and internal funding.

- Grant Funded	9 158 493	15 402 000
- Council funded	1 489 506	17 337 991
- External Loans		22 576 410
- Funding still to be sourced		
	<u>10 647 999</u>	<u>55 316 401</u>

**Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year	675 026	193 780
In the second to fifth year inclusive	1 186 176	122 901
After five years		
<b>Total</b>	<b>1 861 202</b>	<b>316 681</b>

Operating lease payments represent rentals payable relate to the hiring of office equipment.

**Operating leases – as lessor**

The future minimum lease payments receivable under operating leases are as follows:

<b>Minimum lease payments due</b>		
Within one year	129 291	223 703
In second to fifth year inclusive	32 320	161 611
After five years		
<b>Total</b>	<b>161 611</b>	<b>385 314</b>

Operating lease payments receivable relate to rentals for the commonage, vacant land, airport hangers, buildings, advertising space and housing. Operating leases have been straightlined in accordance with GRAP requirements.



**Endumeni Municipality**  
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	2018	2017
	R	RESTATED R
<b>44 EMPLOYEE BENEFITS</b>		
<b>44 Defined Benefit Plans</b>		
<i>Post-employment medical benefits</i>		
The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Hosmed, Keyhealth, LA Health and Samwumed. Pensioners continue on the option they belonged to on the day of their retirement.		
The independent valuers, One Pangaea, carried out a statutory valuation as at 30 June 2018.		
<b>Statement of Financial Position</b>		
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:		
Balance at beginning of the year	51 191 491	52 809 372
Current service cost	2 102 384	2 175 433
Interest cost	5 033 019	4 920 147
Benefit payments	( 2 051 138)	( 1 960 276)
Actuarial (gains)/losses	( 5 278 278)	( 6 753 185)
	50 997 478	51 191 491
Transfer to current provisions	( 2 023 691)	( 2 023 691)
<b>Total</b>	<b>48 973 787</b>	<b>49 167 800</b>
<b>Statement of Financial Performance</b>		
Current service cost	2 102 384	2 175 433
Interest cost	5 033 019	4 920 147
Actuarial (gains)/losses	( 5 278 278)	( 6 753 185)
<b>Total</b>	<b>1 857 125</b>	<b>342 395</b>
Total Contribution to post employment medical	1 857 125	342 395
Total Contribution to long service (see note 14)	891 602	312 953
	<b>2 748 727</b>	<b>655 348</b>
<b>Principal actuarial assumptions:</b>		
Discount rate	9.91%	10.03%
How was the discount rate determined	Market yields on government bonds	
Increase in health care cost	8.15%	8.83%
Active members expected to continue after retirement	100%	100%
Average retirement age	63	63
<b>Mortality pre-retirement</b>	SA 85-90	SA 85-90
Pre-retirement mortality at 30 June 2017		
<b>Mortality post-retirement</b>		
(Allow for 1% per annum mortality improvement factor from 2010)	PA (90)	PA (90)
The value of the liabilities is particularly sensitive to the assumed rate of healthcare cost inflation. The sensitivity of the valuation result to a 1% increase and 1% decrease in the assumed healthcare cost inflation assumption is set out below:		
<b>Healthcare cost inflation sensitivity</b>	1% decrease	Base (9.12%)    1% increase
Defined benefit obligation	58 054 128	50 997 478    45 255 123
Interest cost (next financial year)	5 082 467	4 953 576    4 826 942
Service cost (next financial year)	2 553 424	2 093 259    1 736 097

**45 CONTINGENT LIABILITY**

**Endumeni/SP Madlala**

Mr Madlala was unprocedurally promoted and given a salary increase during the period of instability at the municipality. The decision to do so was never approved by council, and the salary increase was reversed. Mr Madlala lodged unfair labour practice dispute at bargaining council. Arbitrator ruled in favour of the municipality. Ruling has been taken on review by SAMWU. Attorney's await further instruction from Endumeni. Court date still pending.

**Endumeni Municipality**  
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	2018	2017
	R	RESTATED R

**Endumeni Municipality Vs Department of Labour**

Endumeni Municipality received summons from the Department of Labour for non-compliance with the deadline for submission of the Employment Equity Plan. The municipality intends to oppose the matter and the matter will be referred to council's attorneys. Matter not yet finalised, awaiting determination from Department of Labour.

**Endumeni Municipality VS Mbube Security & Ocean Dawn**

This matter has not been finalised. Court granted interim order against the municipality with cost, matter still pending for finalisation

**Endumeni Civic Association - Prior year matter**

This a high court matter brought on by the Endumeni Civic Association. Endumeni Municipality is the first respondent. The matter is now finalised

**ZW Anderson - Prior year matter**

This matter is an eviction dispute between the Anderson's which have been served on Endumeni. The matter is finalised, eviction was granted with no cost order against the municipality.

**46 RELATED PARTIES**

**Related party transactions: Councillor E Adam**

Expenditure:

General expenses for July 2016	-	6 933
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Former endumeni councillor E Adam who was a councillor up to July 2016 prior to the election whose spouse is the owner of a business that sells computer validated pre-paid tokens for the supply of electricity. A commission of 3.5% is paid monthly for providing this service. No commission is payable at year end.

**47 EVENTS AFTER THE REPORTING DATE**

No events after the reporting date noted for disclosure.

**48 RISK MANAGEMENT**

**Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.  
Financial assets exposed to credit risk at year end were as follows:

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Cash and Cash Equivalents	39 810 860	53 373 593
Financial guarantees	153 310	153 310
Trade and other receivables	17 947 856	16 029 640
<b>Maximum Credit Exposure</b>	<b>57 912 027</b>	<b>69 556 543</b>

These balances represent the maximum exposure to credit risk.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

**Endumeni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2018	2017 RESTATE
	R	R
	Not later than one month	Later than one month and not later than three months
<b>2018</b>		
Gross finance lease obligations		
Borrowings	-	-
Trade and other payables	11 963 075	-
Other	-	-
	Later than three months and not later than one year	Later than one year and not later than five years
<b>2017</b>		
Gross finance lease obligations	-	-
Borrowings	-	-
Trade and other payables	12 847 631	-
Other	-	-

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

**49 RESTATEMENT OF COMPARATIVE INFORMATION**

The municipality adopted the Municipal Standard Chart of Accounts (MSCOA). In order to comply with MSCOA, the expenditure related to business and advisory and legal costs previously included in operational costs had to be reclassified as contracted services. The effect of the restatement is summarised below:

**Statement of Financial Performance:**

**Operational costs**

Legal Expenses	1 811 866
Audit Committee	205 480
Audit Fees & Internal Audit Fees	<u>2 745 707</u>
Reclassified to contracted services	4 763 052

**INSURANCE RESERVE**

In accordance with GRAP the insurance reserve should form part of accumulated surplus and should not be disclosed on the face of the statement financial position. The statement of changes in net assets have been amended accordingly and disclosure note 18 reflects the insurance reserve that is ring fenced within accumulated surplus.

**50 COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

50. COMPARISON TO BUDGET

50.1 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	Actual 2018 R	Budget 2018 R	Variance 2018 R	Variance 2018 %	Explanation of significant Variance greater than 15% versus Budget
<b>REVENUE</b>					
Revenue from exchange transactions	151 898 999	152 387 173	( 488 174)	0%	
Service charges	129 429 934	137 011 422	( 7 581 488)	-6%	Decline in billing due to increase in theft of electricity and higher cost of electricity
Rental of facilities and equipment	1 661 994	1 123 421	538 573	48%	Revenue billed for commonage was much higher than budgeted
Interest earned- external investments	3 282 788	3 300 000	( 17 212)	-1%	
Interest earned- outstanding receivables	-	4 200	( 4 200)		Immaterial in value.
Licences and permits	4 006 709	4 054 000	( 47 291)	-1%	
Other income from exchange transactions	12 907 574	1 701 030	11 206 544	659%	Variance is due to an unbudgeted donation of R11,5 million received.
Gain on fair value of asset	610 000	5 193 100	( 4 583 100)	100%	Craigieburn sites budgeted for disposal did not get disposed
Revenue from non-exchange transactions	175 471 439	181 047 852	( 5 576 413)	-3%	
Property rates	90 452 957	88 665 627	1 787 330	2%	
Property rates- penalties imposed and collection charges	8 096 749	7 870 000	226 749	3%	Penalties and Collection charges were less than budget estimates
Fines	1 987 559	2 889 650	( 902 091)	-31%	Fines accrual less than budget estimates
Government grants and subsidies	74 934 174	81 622 575	( 6 688 401)	-8%	Additional gazetted allocation of MIG received
<b>Total Revenue</b>	<b>327 370 438</b>	<b>333 435 025</b>	<b>( 6 064 587)</b>		
<b>EXPENDITURE</b>					
Employee related cost	101 827 546	107 141 500	( 5 313 955)	-5%	
Remuneration of councillors	4 262 379	4 337 707	( 75 328)	-2%	
Debt Impairment	12 906 692	8 263 668	4 643 024	56%	Bad debt provision higher than budgeted. It was anticipated that debt relief initiatives and cleansing of debtors would reduce the debtors book. Irrecoverable debt still to be written off
Adjustment to landfill site provision	2 032 382	971 184	1 061 198	109%	As per the professional engineers report, fluctuates based on prime rate.
Municipal Services Cost	4 198 312	4 697 906	( 499 594)	-11%	
Depreciation	11 360 687	5 093 000	6 267 687	123%	Budget estimates were lower than. Redundant assets have been submitted for council approval
Amortisation	7 071	23 000	( 15 929)	-69%	Immaterial in amount
Finance cost	182 809	182 579	230	0%	
Bulk purchases	81 276 911	88 465 346	( 7 188 435)	-8%	Line item based on trend analysis. Purchases less than anticipated
Contracted services	21 515 734	19 272 374	2 243 360	12%	
Operational costs	64 413 969	71 184 988	( 6 771 019)	-10%	
(Impairment loss) / Reversal of impairment loss	253 736	400 000	( 146 264)	-37%	Conditional assessments of assets are done yearly. Budget estimates for impairment was higher than actual.
(Impairment loss) / Reversal of impairment loss inventory	98 206	83 004	15 202	18%	More redundant stock than estimated
Retirement and long services benefits	2 748 727	10 723 140	( 7 974 413)	-74%	As per actuarial valuation report
<b>Total Expenditure</b>	<b>307 085 163</b>	<b>320 839 396</b>	<b>( 13 754 234)</b>		
<b>NET (DEFICIT) / SURPLUS FOR THE YEAR</b>	<b>20 285 276</b>	<b>12 595 629</b>	<b>7 689 647</b>		

ENDUMENI MUNICIPALITY  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

50. COMPARISON TO BUDGET (Continued)

50.2 ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

	2018 Total Additions R	2018 Budget R	2018 Variance R	2018 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Corporate Services	599 065	1 309 500	( 710 435)	-54%	
Financial Services	32 056 203	257 400	31 798 803	12354%	
Municipal Manager	594 003	4 000	590 003	14750%	
Technical Services	3 809 361	33 018 900	( 29 209 539)	-88%	
Planning and Development	228 212	1 480 000	( 1 251 788)	-85%	
	37 286 844	36 069 800	2 468 832	7%	Due to the accelerated spending on MIG, the municipality received an additional allocation of MIG. The full allocation was spent at year end.

The appendix includes additions figures for Property, Plant and Equipment (note 8) and Intangible Assets (note 9) only.

**Endumeni Municipality**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS**

as at 30 June 2018

<b>EXTERNAL LOANS</b>	<b>Loan number</b>	<b>Redeemable Date</b>	<b>Balance at 30 June 2017</b>	<b>Received during the period</b>	<b>Accrued Interest</b>	<b>Redeemed / written off during the period</b>	<b>Balance at 30 June 2018</b>
<b>ANNUITY LOAN</b> DBSA @ 17% DBSA @ 17% DBSA @ 17%	13268/102	31/03/2018	1 448 744	-	-	1 448 744	0
	13268/202	31/03/2018	745 835	-	-	745 835	0
	13268/302	31/03/2018	681 230	-	-	681 230	0
			2 875 809	-	-	2 875 809	0
<b>Total Annuity Loans</b>							
<b>TOTAL EXTERNAL LOANS</b>			2 875 809	-	-	2 875 809	0

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2016

	Cost										Accumulated impairment	Retained impairment as at 30 June 2017	Prior year adjustment	Accumulated impairment as at 30 June 2017 as per AFS	Accumulated depreciation as at 30 June 2018	Depreciation charge 30 June 2018	Accumulated depreciation as at 30 June 2018	Impairment loss 30 June 2018	Disposals	Carrying value
	Retained cost 30 June 2017	Additions 2018	Disposals 2018	Newly identified assets at fair value	AUC released 2018	Disposals 2018	Closing cost 30 June 2018	Accumulated depreciation as at 30 June 2017 as per AFS	Transfer	Retained depreciation 30 June 2017										
<b>Land</b>	61 044 317,31						61 044 317,31													61 044 317,31
<b>Community assets</b>																				
Dwellings	8 653 354,47						8 653 354,47	5 828 648,14		5 828 648,14		96 698,86		96 698,86	6 055 412,27		6 055 412,27			2 491 243,34
Non Residential Dwellings	43 357 256,22			10 535 963,71	9 038 854,89		62 984 074,82	10 353 311,59		10 353 311,59		1 970 139,96		1 970 139,96	12 113 251,36		12 113 251,36			48 380 863,00
AUC Buildings	15 136 991,95	6 936 305,77			-9 696 676,76		12 376 620,96													11 376 620,96
<b>Total Buildings</b>	67 147 602,64	52 000,00		10 535 963,71	-857 821,87		84 014 050,25	16 181 960,73		16 181 960,73		2 066 838,82		2 066 838,82	18 178 664,63		18 178 664,63			63 768 546,89
<b>Infrastructure</b>																				
Electricity	40 809 970,28	270 926,44					41 080 896,72	17 433 913,68		17 433 913,68		212 617,81		212 617,81	18 416 961,30		18 416 961,30			28 011 020,39
AUC Electricity	331 178,97	5 223 525,78			-5 559 702,75		155 521 706,65	47 059 047,80		47 059 047,80		3 457 187,66		3 457 187,66	52 029 211,63		52 029 211,63			100 088 425,61
Road	155 521 706,65	69 930,00					23 395 124,77	3 478 009,05		3 478 009,05		146 239,58		146 239,58	3 874 485,59		3 874 485,59			23 396 124,77
AUC Roads	2 507 370,63			20 488 754,14			6 482 755,70	216 726,00		216 726,00										2 462 030,53
Solid waste	6 482 755,70						3 972 078,28	511 552,11		511 552,11		14 368,69		14 368,69	765 645,88		765 645,88			226 726,00
AUC Land Fill Site	226 726,00																			
Comerteries	3 972 078,28																			3 192 068,71
AUC Comerteries																				
<b>Total Infrastructure</b>	210 257 786,52	5 563 382,22		20 488 754,14	0,02		236 309 923,90	68 482 522,64		68 482 522,64		3 830 413,74		3 830 413,74	75 086 304,40		75 086 304,40			157 376 391,01
<b>Other Assets</b>																				
Furniture and equipment	3 460 186,13	319 041,37		255 416,00	16 710,53		4 051 353,03	2 398 569,42		2 398 569,42		17 391,17		17 391,17	2 677 199,06		2 677 199,06			1 355 594,13
Computer equipment	5 646 971,47	480 017,77					6 126 989,24	3 863 971,88		3 863 971,88		25 240,89		25 240,89	4 359 266,32		4 359 266,32			1 741 382,79
Machinery and equipment	13 092 208,22	1 408 439,61		721 036,28	641 111,34		15 865 795,45	6 033 293,88		6 033 293,88		163 867,12		163 867,12	7 023 254,91		7 023 254,91			8 644 197,61
Transport assets	13 216 026,81	1 952 809,40					15 168 836,21	6 018 479,57		6 018 479,57		29 063,05		29 063,05	7 706 856,20		7 706 856,20			7 433 910,96
<b>Total Other assets</b>	35 418 394,63	4 160 306,15		976 452,28	657 821,87		41 112 975,93	18 314 264,75		18 314 264,75		235 471,23		235 471,23	21 766 506,49		21 766 506,49			18 973 986,48
<b>Less assets</b>	9 978,09						9 978,09	8 842,31		8 842,31					9 214,60		9 214,60			763,40
<b>Housing letting schemes</b>	1 247 482,33						1 247 482,33					236 944,71		236 944,71						1 010 537,62
<b>Total IPE</b>	375 125 565,57	9 775 644,37		11 512 415,99	0,02		423 838 723,81	102 987 569,73		102 987 569,73		6 369 658,50		6 369 658,50	115 940 780,12		115 940 780,12			302 174 558,72
<b>Intangible assets</b>	978 795,80	86 100,00					1 064 895,80													101 205,80
<b>Investment Properties</b>	45 918 000,00			610 000,00			46 528 000,00													46 528 000,00
<b>Total assets</b>	421 970 360,32	9 861 784,37		11 512 415,99	0,02		469 340 520,61	103 832 269,33		103 832 269,33		6 369 658,50		6 369 658,50	115 952 471,12		115 952 471,12			348 803 744,52

Endemul Local Municipality

UNAUDITED SUPPLEMENTARY APPENDIX B - Analysis of Property Plant and Equipment as at 30 June 2017

Description	Cost				Accumulated Depreciation				Accumulated Impairment											
	Restated Opening balance 30 June 2016	Additions 2017 Movable	Donations	Fair Value/ Revalued	Adjustment Newly Identified asset	AUC Released	Additional Info	Balance as per AFS	Adjustment Newly Identified asset 2017	Depreciation charges 2017	Disposals	Closing balance 30 June 2017	Balance as per AFS	Adjustments	Opening balance 30 June 2016	Impairment losses 2017	Disposals	Closing balance 30 June 2017	Carrying value 2017	
Land	61,044,317.31							61,044,317.31											61,044,317.31	
Community Assets																				
Dwellings	8,457,674.47	135,680.00	-	-	-	-	-	8,593,354.47	5,597,311.07	231,336.97	-	5,828,648.04	-	-	-	96,698.86	-	-	96,698.86	2,728,007.57
Non residential dwellings	26,127,500.16	-	-	-	-	-	-	48,357,356.22	9,348,393.10	1,004,918.69	-	10,353,311.99	995,807.80	-	995,807.80	974,332.16	-	-	1,970,139.96	31,033,804.27
AUC Buildings	20,593,105.91	-	-	-	-	-	-	15,136,591.95	-	-	-	-	-	-	-	-	-	-	15,136,591.95	15,136,591.95
Total Buildings	55,218,170.54	135,680.00	-	-	-	-	-	67,107,602.64	14,945,704.17	1,236,255.66	-	16,181,960.03	995,807.80	-	995,807.80	1,071,031.02	-	-	2,066,838.82	48,898,803.79
Infrastructure																				
Electricity	36,443,088.43	-	-	-	-	-	-	4,866,901.86	40,809,970.29	868,032.76	-	17,433,913.68	198,401.81	-	198,401.81	14,216.00	-	-	212,617.81	29,163,438.80
AUC Electricity	1,079,220.71	-	-	-	-	-	-	337,176.97	337,176.97	-	-	-	-	-	-	-	-	-	337,176.97	337,176.97
Road	155,459,368.58	-	-	-	-	-	-	62,340.00	155,521,710.73	5,051,084.40	-	47,059,047.80	3,317,744.63	-	3,317,744.63	139,443.03	-	-	3,457,187.66	105,005,475.27
AUC Roads	939,722.10	-	-	-	-	-	-	42,342.15	2,029,990.68	-	-	-	-	-	-	-	-	-	2,907,370.63	2,907,370.63
Solid waste	5,655,255.70	817,500.00	-	-	-	-	-	6,482,755.70	3,100,658.15	377,350.50	-	3,478,009.05	146,239.58	-	146,239.58	-	-	146,239.58	2,859,507.07	
AUC Land Fill Site	1,877,740.29	-	-	-	-	-	-	226,726.00	3,972,078.28	-	-	511,552.11	14,368.69	-	14,368.69	-	-	226,726.00	2,266,736.00	
Cemeteries	45,968.00	-	-	-	-	-	-	-	2,052,369.99	-	-	-	-	-	-	-	-	-	-	-
AUC Cemeteries	201,505,343.81	817,500.00	-	-	-	-	-	210,257,788.60	62,041,173.13	6,441,346.91	-	68,482,525.64	3,676,754.71	-	3,676,754.71	153,650.03	-	-	3,830,413.74	137,940,852.22
Total Infrastructure	201,505,343.81	817,500.00	-	-	-	-	-	210,257,788.60	62,041,173.13	6,441,346.91	-	68,482,525.64	3,676,754.71	-	3,676,754.71	153,650.03	-	-	3,830,413.74	137,940,852.22
Other Assets																				
Furniture and equipment	2,998,826.11	461,382.02	-	-	-	-	-	3,460,188.13	2,197,017.11	201,551.81	-	2,398,569.42	16,752.32	-	16,752.32	518.85	-	-	17,291.17	1,044,327.54
Computer equipment	4,833,528.03	803,158.44	-	-	-	-	-	5,636,686.47	3,474,841.53	389,075.95	-	6,053,923.88	24,164.07	-	24,164.07	1,085.82	-	-	25,249.89	1,757,799.70
Machinery and equipment	10,313,111.60	1,700,247.87	-	-	-	-	-	13,095,208.22	5,368,681.12	684,601.36	-	6,053,293.88	163,867.12	-	163,867.12	-	-	163,867.12	6,898,040.72	
Transport assets	9,963,481.14	2,500,588.57	-	-	-	-	-	13,216,026.81	3,354,389.19	692,502.91	-	6,710,982.48	29,063.05	-	29,063.05	-	-	29,063.05	6,475,981.28	
Total Other assets	28,110,846.88	5,461,351.00	-	-	-	-	-	35,418,934.63	16,454,901.15	692,502.91	-	19,000,767.66	233,846.58	-	233,846.58	1,624.67	-	-	235,471.23	16,176,155.74
Leased assets	9,378.09	-	-	-	-	-	-	-	8,295.17	546.34	-	8,842.31	-	-	-	-	-	-	-	1,135.78
Housing letting schemes	1,247,482.33	-	-	-	-	-	-	-	-	-	-	-	236,944.71	-	236,944.71	-	-	236,944.71	1,010,537.62	
Total PPE	347,031,373.56	6,480,531.00	-	-	-0.21	-	20,022,995.63	375,125,935.60	93,430,075.12	9,937,514.61	-	103,800,092.64	5,143,353.78	-	5,143,353.78	1,216,314.72	-	-	6,360,668.50	285,075,802.46
Intangible assets	925,795.80	-	-	-	-	-	-	926,795.80	895,330.12	9,239.48	-	904,615.60	-	-	-	-	-	-	22,177.20	22,177.20
Investment Properties	33,427,000.00	-	-	-	-	-	-	45,918,000.00	-	-	-	-	-	-	-	-	-	-	-	45,918,000.00
Total asset register	381,385,170.76	6,480,531.00	-	-	-0.21	-	20,022,995.63	421,970,960.40	93,802,733.15	9,966,814.09	-	104,584,712.24	5,143,353.78	-	5,143,353.78	1,216,314.72	-	-	6,360,668.50	311,015,979.66



**Endumeni Municipality**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2018

	Cost / Revaluation				Accumulated Depreciation				Accumulated Impairment			
	Restated Opening Balance R	Additions R	Fair Valued/ Donations	Additions Infra	AUC Released R	Disposals R	Closing Balance R	Restated Opening Balance R	Depreciation R	Disposals R	Closing Balance R	Opening Balance
Executive and council	41 480 309	518 376	610 000	-	-	-	42 608 685	1 168 365	345 324	-	1 513 689	11 684
Municipal manager	1 271 161	75 627	-	-	-	-	1 346 788	283 629	136 778	-	420 408	-
Corporate services	74 863 039	599 065	255 416	-	9 696 677	-	85 414 197	16 801 441	2 180 875	-	18 982 315	1 447 340
Technical services	264 445 716	2 864 763	11 257 000	944 597	5 559 703	-	285 071 779	80 821 015	8 124 930	-	88 945 945	3 997 546
Financial services	39 065 712	5 575 741	-	26 480 463	( 15 256 380)	-	55 865 535	4 666 610	571 995	-	5 258 605	902 980
Planning and development	844 424	228 212	-	-	-	-	1 072 636	823 652	7 857	-	831 509	10 118
<b>Total</b>	<b>421 970 360</b>	<b>9 861 784</b>	<b>12 122 416</b>	<b>27 425 060</b>	<b>0</b>	<b>-</b>	<b>471 379 621</b>	<b>104 584 712</b>	<b>11 367 759</b>	<b>-</b>	<b>115 952 471</b>	<b>6 369 668</b>
											<b>253 736</b>	<b>-</b>
											<b>6 623 405</b>	<b>348 803 745</b>

The appendix includes figures for Property, Plant and Equipment (note B), Intangible Assets (note 9) and Investment Properties (note 10).

**Endumeni Municipality**

**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

as at 30 June 2018

<b>2 0 1 7</b>		<b>2 0 1 7</b>		<b>2 0 1 8</b>		<b>2 0 1 8</b>	
<b>Actual Income</b>	<b>R</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>	<b>Actual Income</b>	<b>R</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
			<b>R</b>			<b>R</b>	<b>R</b>
11 774 444		49 227 451	( 37 453 008)	8 744 025		55 351 145	( 46 607 120)
72 440 144		38 108 351	34 331 793	107 131 143		47 269 655	59 861 488
43 438 700		18 336 696	25 102 004	43 175 306		19 824 720	23 350 586
159 892 547		154 284 338	5 608 209	165 722 255		170 805 154	( 5 082 899)
3 389 393		9 602 955	( 6 213 562)	2 597 709		13 834 489	( 11 236 780)
<b>290 935 228</b>		<b>269 559 792</b>	<b>21 375 436</b>	<b>327 370 438</b>		<b>307 085 164</b>	<b>20 285 275</b>
			<b>Total</b>				

The inter-departmental charges have been allocated per segment for the current and prior years.

